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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA**

ARLIE DOLLY, Individually and on Behalf of
All Others Similarly Situated,

Plaintiff,

v.

GITLAB INC., SYTSE SIJBRANDIJ, BRIAN
G. ROBINS, and DAVID DESANTO,

Defendants.

Case No. 5:24-cv-06244-EKL

**SECOND AMENDED COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS**

CLASS ACTION

DEMAND FOR JURY TRIAL

TABLE OF CONTENTS

I.	NATURE OF THE ACTION	1
II.	JURISDICTION AND VENUE	4
III.	THE PARTIES.....	5
A.	Plaintiff	5
B.	Defendants	5
IV.	CONFIDENTIAL WITNESSES CORROBORATING FACTUAL ALLEGATIONS	6
A.	FE1	6
B.	FE2	7
C.	FE3	8
D.	FE4	8
E.	CW1	9
F.	CW2	9
V.	SUBSTANTIVE ALLEGATIONS	9
A.	Company Background	9
B.	GitLab Prioritizes AI in the DevOps Process	14
C.	GitLab Ups its Premium Tier Pricing by 53%	23
D.	Defendants Concealed Weak Market Demand for GitLab’s AI-Powered Features and Pricing Sensitivity for Its Premium Tier	26
E.	GitLab Reveals Lower-than-Expected Guidance for Fiscal Year 2025	32
F.	Post-Class Period Events Confirming Defendants’ Fraudulent Misconduct.....	37
VI.	DEFENDANTS’ MATERIALLY FALSE AND MISLEADING STATEMENTS	39
	June 5, 2023	39
	September 5, 2023	48
	September 7, 2023	55
	September 12, 2023	60

1	November 14, 2023.....	63
2	December 4, 2023	66
3	March 4, 2024	76
4	March 7, 2024	79
5	March 27, 2024	80
6	VII. ADDITIONAL SCIENTER ALLEGATIONS.....	81
7	A. Corroborating Former Employee Accounts Confirm Individual Defendants’	
8	Knowledge of Material Adverse Information.....	81
9	B. The Individual Defendants Held High-Level Positions at GitLab.....	82
10	C. AI and the Premium Price Increase Were Integral to GitLab’s Success	83
11	D. The Individual Defendants Held Themselves Out as Knowledgeable	84
12	E. Suspicious Timing of High-Level Departures at the Company.....	89
13	VIII. LOSS CAUSATION AND ECONOMIC LOSS.....	91
14	IX. PRESUMPTION OF RELIANCE; FRAUD-ON-THE-MARKET DOCTRINE.....	94
15	X. NO SAFE HARBOR; INAPPLICABILITY OF BESPEAKS CAUTION DOCTRINE.....	95
16	XI. CLASS ACTION ALLEGATIONS	96
17	XII. CLAIMS FOR RELIEF	98
18	XIII. PRAYER FOR RELIEF	101
19	XIV. DEMAND FOR TRIAL BY JURY	102

Lead Plaintiff Dutch Smith (“Plaintiff”), individually and on behalf of all other persons similarly situated, by their undersigned attorneys, alleges the following based upon personal knowledge with respect to their own acts, and upon facts obtained through an investigation conducted by and through his counsel, which included, *inter alia*: (a) review and analysis of relevant filings made by GitLab Inc. (“GitLab” or the “Company”) with the United States Securities and Exchange Commission (the “SEC”); (b) review and analysis of GitLab’s public documents, announcements, conference calls, press releases, and stock chart; (c) review and analysis of securities analysts’ reports and advisories concerning the Company; (d) interviews with former employees described herein, and (e) information readily obtainable on the internet. Plaintiff believes that further substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery. Most of the facts supporting the allegations contained herein are known only to the defendants or are exclusively within their control.

I. NATURE OF THE ACTION

1. This is a federal securities class action lawsuit on behalf of a class consisting of all persons and entities who purchased or otherwise acquired GitLab securities between June 5, 2023 and June 3, 2024, inclusive (the “Class Period”), seeking to recover damages caused by GitLab’s and certain of its executive officers’ violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and SEC Rule 10b-5, promulgated thereunder.

2. Throughout the Class Period, GitLab and those who ran it—particularly its Co-Founder, Chairman and Chief Executive Officer, Sytse Sjbrandij and its Chief Financial Officer, Brian Robins—touted the capabilities of the Company’s artificial intelligence (“AI”) features driving market demand, providing expanded monetization opportunities through its paid add-on, GitLab Duo, and supporting a 53% price increase of its most utilized paid offering, known as its Premium tier. Defendants assured investors of customer acceptance of its new pricing model and AI integration at every phase of the software development lifecycle, providing positive customer testimonials and promoting the Company’s renewals and churn rates, when, in fact, market demand for GitLab’s AI product was materially different than represented due, in part, to:

1 significant concerns amongst potential customers regarding security and data privacy; GitLab's AI
2 features did not possess the capabilities expressed; deployment was delayed; and when GitLab's
3 AI features were made available to customers, feedback was largely negative. Consequently,
4 GitLab was struggling to sell its new AI features to its customer base and was experiencing a
5 decline in net seat expansion, due to price sensitivity particularly amongst its small to mid-market
6 customers – accounting for roughly 30% of its revenue.

7 3. Defendants provided investors with material information concerning GitLab's
8 expected revenue for the fiscal year ended January 31, 2025 ("FY 2025"). Defendants' statements
9 included, among other things, GitLab's incorporation of AI-powered features throughout its
10 DevSecOps platform, increasing the efficiency and productivity of software development and
11 making it more affordable for customers, monetizing its various AI capabilities with monthly
12 subscriptions and increasing pipeline growth by integrating its DevSecOps platform as the
13 preferred software delivery platform in the industry. Furthermore, under the Company's ratable
14 business model, the Premium price increase, effective April 3, 2023, was poised to have minimal
15 impact on GitLab's fiscal year ended January 31, 2024 ("FY 2024") revenue, with greater impact
16 in FY 2025 and some additional tailwind in fiscal year ended January 31, 2026 ("FY 2026").

17 4. Defendants created the false impression that they possessed reliable information
18 pertaining to GitLab's ability to develop and incorporate AI throughout the software development
19 lifecycle in order to optimize code generation while at the same time protecting highly sensitive
20 data thereby increasing market demand and making all levels of software development more
21 affordable and properly monetizing its AI-powered features. In truth, there was weak market
22 demand for Gitlab's touted AI features, and the Company was experiencing pricing sensitivity in
23 the Premium tier, especially within small and medium-sized businesses and the mid-market sector.
24 Defendants misled investors by continually highlighting AI-driven innovations to drive market
25 share demands and ensuring prolonged positive impacts from its Premium price increase.

26 5. The truth began to emerge during after-market hours on March 4, 2024, when
27 GitLab issued a press release reporting results for the quarter and fiscal year ended January 31,
28 2024. While GitLab announced positive quarterly revenue of \$163.8 million, representing a growth

1 rate of 33% year-over-year (“y/y”) and annual revenue of \$579.9 million, representing a growth
2 rate of 37% y/y, the Company revealed significantly lower-than-expected guidance for the first
3 quarter and FY 2025. In pertinent part, GitLab provided expected annual revenue of \$725 million
4 to \$731 million for FY 2025, representing a growth rate of approximately 26% y/y.

5 6. The lower-than-expected guidance was delivered at the same time as the
6 Company’s announcement that it was now selling Duo Pro – its paid add-on for AI features like
7 Code Suggestions, Chat, and other organizational control capabilities – for \$19 per user per month,
8 up from the originally announced pricing of \$9 per user per month at the start of the Class Period.

9 7. Later that day, GitLab hosted an investor conference call to discuss the Company’s
10 fourth quarter and FY 2024 financial results and FY 2025 guidance (“4Q24 Earnings Call”), during
11 which Defendants acknowledged that a driving factor of the lowered guidance was that they were
12 “seeing normalization in buying behavior” and as a result, their “guidance philosophy” was to be
13 “less conservative this year than in the first 2 years.” Defendants also revealed that GitLab needed
14 time to “build its pipeline and close deals on new products” before they could have a “meaningful
15 impact in [GitLab’s] ratable business model.” Consequently, Defendants now expected more
16 revenue contribution from the Premium price increase as well as the Company’s new AI-related
17 paid add-ons, like GitLab Duo, in FY 2026 as opposed to FY 2025.

18 8. In addition, Defendants informed investors that GitLab had not finished its stand-
19 alone selling price or SSP analysis for FY 2025, which determined its upfront revenue recognition
20 rate for license revenue – the revenue recognized by providing its customers with access to
21 proprietary software features under its self-managed subscriptions. As a result, GitLab had not
22 factored any change to SSP in the FY 2025 guide. Defendants announced that they would share an
23 update at the next earnings call once they had the results of the SSP analysis.

24 9. Investors and analysts reacted immediately to these revelations. The price of GitLab
25 securities dropped dramatically from a closing market price of \$74.47 per share on March 4, 2024,
26 to \$58.84 per share at close on March 5, 2024, a decline of about 21% in the span of a single day.

27 10. Despite this precipitous decline in the Company’s stock price, confusion regarding
28 the underlying contributors to GitLab’s soft guide remained in the market. For example, during

the question-and-answer portion of the 4Q24 Earnings Call, when specifically asked about changes in customer behavior or purchasing patterns suggesting declining growth in GitLab's Annual Recurring Revenue (ARR), *i.e.*, customer base, and/or a reduction in its Dollar-Based Net Revenue Retention (DBNRR), Defendants skirted the questions by refusing to comment on the current earnings period or by simply stating that "[t]here's a number of factors that go into our guidance."

11. Then, during after-market hours on June 3, 2024, GitLab announced that it had completed its SSP analysis which had resulted in an estimated \$4 million headwind to FY 2025 revenue guidance relative to the initial guidance revealed on March 4, 2024. The Company also revealed that for the first quarter of FY 2025, its Annual Recurring Revenue ("ARR") increased approximately 21% y/y (landing 5 points below consensus growth expectations), compared to a growth rate of 37% y/y in the prior quarter. In addition, GitLab's Dollar-Based Net Retention Rate ("DBNRR") dropped sequentially by 1 point to 129%.

12. In response, the price of GitLab securities declined from \$47.07 per share at close on June 3, 2024, to \$44.75 per share at close on June 4, 2024, a drop of nearly 5% in a single day.

13. GitLab's public investors sustained significant investment losses as the Company's securities prices plummeted. Plaintiff brings this action to recover the market losses that he and other similarly situated shareholders sustained as a result of Defendants' Class Period violations of the Exchange Act and SEC Rule 10b-5, promulgated thereunder.

II. JURISDICTION AND VENUE

14. The claims asserted herein arise under and pursuant to Section 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

15. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. §78aa.

16. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. §1391(b), as GitLab is incorporated in this District and a significant portion of its business, actions, the alleged actions including, *inter alia*, the preparation and dissemination of materially

1 false and misleading information, and the subsequent damages to Plaintiff and the Class, took place
2 within this District.

3 17. In connection with the acts, conduct and other wrongs alleged herein, Defendants,
4 directly or indirectly, used the means and instrumentalities of interstate commerce, including but
5 not limited to, the United States mail, interstate telephone communications and the facilities of the
6 national securities exchange markets.

7 **III. THE PARTIES**

8 **A. Plaintiff**

9 18. Lead Plaintiff Dutch Smith, as set forth in his previously filed Certification,
10 incorporated by reference here, purchased GitLab securities during the Class Period and because
11 of the violations of the federal securities laws alleged herein, suffered damages as a result.

12 **B. Defendants**

13 19. GitLab, Inc. is a Delaware corporation with its principal executive offices located
14 at 268 Bush Street #350, San Francisco, CA 94104-3503. During the Class Period, the Company's
15 common stock traded on the NASDAQ Stock Market (the "NASDAQ") under the symbol "GTLB."

16 20. Defendant Sytse Sijbrandij ("Sijbrandij") was, at all relevant times, Co-Founder,
17 Chairman and Chief Executive Officer ("CEO") of GitLab.

18 21. Defendant Brian G. Robins ("Robins") was, at all relevant times, the Chief
19 Financial Officer ("CFO") of GitLab.

20 22. Defendant David DeSanto ("DeSanto") was, at all relevant times, the Chief Product
21 Officer ("CPO") of GitLab.

22 23. Defendants Sijbrandij, Robins, and DeSanto are collectively referred to herein as
23 the "Individual Defendants."

24 24. GitLab, together with the Individual Defendants, are referred to herein as
25 "Defendants."

26 25. The Individual Defendants, because of their positions with the Company, possessed
27 the power and authority to control the contents of GitLab's reports to the SEC, press releases, and
28 presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*,

the market. Each Individual Defendant was provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, each of these Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein, as those statements were each “group-published” information, the result of the collective actions of the Individual Defendants.

26. GitLab is liable for the acts of the Individual Defendants, and its employees under the doctrine of *respondeat superior* and common law principles of agency as all the wrongful acts complained of herein were carried out within the scope of their employment with authorization.

27. The scienter of the Individual Defendants, and other employees and agents of the Company are similarly imputed to GitLab under *respondeat superior* and agency principles.

IV. CONFIDENTIAL WITNESSES CORROBORATING FACTUAL ALLEGATIONS

A. FE1

28. Former Employee #1 (“FE1”) was employed by GitLab between September 2022 and September 2024. Specifically, during their tenure with the Company, FE1 served as Head of Global Cloud Partnerships, Ecosystem Sales from January 2024 to September 2024; and served as a Director, Strategic Partnerships, with a focus on the Google Cloud Alliance & ISV Partner Program, from September 2022 to December 2023.

29. As a Director, Strategic Partnerships at GitLab, FE1 was primarily responsible for strategy and relationship management with current and potential technology partners and large enterprises. The GitLab Handbook – the Company’s central repository that details how Defendants run GitLab and is shared publicly – lists the responsibilities of Director, Strategic Partnerships to include, *inter alia*, develop and facilitate collaboration plans for key partners, and develop product adoption and customer success plans; act as a liaison between internal teams at GitLab and strategic partners to communicate about feature requests, product roadmap, and how the

1 partnership influences timing and direction; and understand the relative strength of competitors
2 within strategic partners, if any. In this role, FE1 reported to GitLab's Vice President ("VP"),
3 Business Development and Strategic Partnerships, who in turn reported to Ashley Kramer, Chief
4 Marketing Officer ("CMO") and Chief Strategy Officer ("CSO").

5 30. As Head of Global Cloud Partnerships, Ecosystem Sales, FE1 was primarily
6 responsible for directing the ecosystem partner function at a strategic level across several
7 specialties or functions globally, developing global frameworks, collaborating with VP-level
8 executives to integrate ecosystem partner strategies into overall business plans. According to the
9 GitLab Handbook, in this role, FE1 would have extensive, including board-level and senior
10 executive interactions, as well as with top-tier partners. In this role, FE1 reported to the Company's
11 Vice President, Ecosystem Sales, who in turn reported to the Chief Revenue Officer ("CRO").

12 31. FE1 recounted reporting to at least four different VPs during their tenure, and
13 multiple CROs. Indeed, Michael McBride served as GitLab's CRO from May 2018 until July 18,
14 2023, when the Company appointed Chris Weber, who served as CRO until his resignation
15 effective August 4, 2024, at which point Ashley Kramer was appointed Interim CRO, in addition
16 to serving as CMO and CSO.

17 **B. FE2**

18 32. Former Employee #2 ("FE2") was employed by GitLab as a Customer Success
19 Strategy Manager between August 2022 and July 2023. In this role, FE2 reported to Christian
20 Conover, Director of Customer Success Management in the Americas.

21 33. As a Customer Success Strategy Manager, FE2 was primarily responsible for
22 creating and building relationships with C-Level executives at Fortune 500 companies in order to
23 sell GitLab's products. According to the GitLab Handbook, the responsibilities of a Customer
24 Success Strategy Manager include, *inter alia*, developing and designing business models that align
25 with the company's strategic objectives and customer success goals; conducting thorough analyses
26 of proposed changes and their potential impacts on the business and customer success operations;
27 leading the design and execution of experiments to test new strategies, processes, and metrics,
28 ensuring robust and actionable results; developing and implementing key performance indicators

(KPIs) and metrics that accurately measure the effectiveness of customer success initiatives; and providing data-driven insights based on a deep understanding of the business area, contributing to the overall strategic direction across teams.

C. FE3

34. Former Employee #3 (“FE3”) was employed by GitLab as a Senior Global Partner Program Manager from November 2021 to November 2024.

35. As a Senior Global Partner Program Manager, FE3 was primarily responsible for the design, management, and execution of GitLab’s global Partner Ecosystem Programs. According to the GitLab Handbook, the responsibilities of a Senior Global Partner Program Manager include, *inter alia*, design, build and manage Ecosystem Programs including incentive programs; develop playbooks to help partners development and Ecosystem Sales engagement with partners; together with Partner Operations, lead the overall partner experience including design changes for the partner portal; manage communications to the partner channel via portal, newsletters, webcasts, social channels; collect and manage feedback from partner ecosystems; and lead programs for individual role specific areas of expertise including the SMB and mid-market segment.

D. FE4

36. Former Employee #4 (“FE4”) was employed by GitLab as a Director of Security Engineering from May 2020 through July 2023. In this role, FE4 reported to Jonathan Hunt, Vice President of Security at GitLab.

37. As a Director of Security Engineering, FE4 was primarily responsible for directing and leading the application of security, infrastructure security, security automation, external security communications, bug bounty, and log management programs, all areas focused on product security at GitLab. In this position, FE4 researched, managed, and directed the technical side of information security at GitLab. During their tenure with the Company, FE4 worked with GitLab’s AI products through their position on the threat analysis and security review distribution team, and engaged with the AI development team building the Company’s AI features.

38. According to the GitLab Handbook, leaders in the security department, including Directors, are customer focused. While they are each technically credible and know the details of what security engineers and analysts work on, their time is spent assembling and leading a team to success. Leaders in the security department at GitLab must coordinate across departments to accomplish collaborative goals. According to the GitLab Handbook, the responsibilities of leaders in the security department include, *inter alia*, driving quarterly Objectives and Key Results (OKRs); driving technical and process improvements; recruiting, managing, motivating and developing high performing teams; leading teams to identify and mitigate technical risk; partnering with cross-functional leaders, understanding their business and how their sub-team can support the others objectives; and helping managers and team members grow their skills and experience.

E. CW1

39. Confidential Witness #1 (“CW1”) owns a software DevOps consulting company that, at all relevant times, acted as a channel partner for the Company. CW1’s software DevOps consulting company was the first North American GitLab business partner, beginning their partnership in or around 2014. As one of the lead consultants for this partner company, CW1 mainly resells the Company’s software and offers services around its platform.

F. CW2

40. Confidential Witness #2 (“CW2”) is the co-founder of a software engineering company offering a business-class product building stack. In this role, CW2 runs the consultancy side of the business, helping identify areas of improvement, analyzing different technologies and assisting in technology adoption. CW2 has been in this role for more than 15 years, working with other leaders in the engineering industry, and consulting for numerous Fortune 500 companies.

V. SUBSTANTIVE ALLEGATIONS

A. Company Background

41. GitLab was founded in 2011 as an open-source project by Defendant Sijbrandij and Dmitriy Zaporozhets. The Company launched its open-core business model in 2014. Since inception, GitLab has been operated as an all-remote company and has employees located globally.

1 42. GitLab began as a web-based Git repository—a virtual storage space for a project’s
2 code and version history—but has since evolved into a one platform solution that encompasses the
3 entirety of the software development lifecycle from planning to production to security.

4 43. DevOps is a methodology that combines software development (Dev) and IT
5 operations (Ops) to automate and improve the software development lifecycle, increase
6 deployment frequency, and deliver products faster and with higher quality. The DevOps approach
7 emphasizes collaboration and communication between development and operations teams.

8 44. DevSecOps adds security (Sec) to the DevOps process. DevSecOps builds on the
9 DevOps approach of streamlining development and operations with an added emphasis on security
10 and risk management. DevSecOps reduces the risk of releasing code with security vulnerabilities,
11 ensures security is a priority from the beginning of the software development lifecycle, and seeks
12 to prevent undetected security issues from reaching production.

13 45. GitLab’s core offering is its DevSecOps platform that enables professionals to
14 perform project-based tasks, from the planning stage to source code management to monitoring
15 and security. The GitLab platform aims to enable DevOps processes by breaking down silos within
16 personnel (*i.e.*, IT, developers, security) via one single, unified platform, ultimately eliminating
17 tool sprawl across the software development lifecycle.

18 46. GitLab prides itself on being the only DevSecOps platform built on an open-core
19 business model which enables any customer and contributor to add functionality to its platform.
20 The Company purports that its open-core approach has also enabled GitLab to build trust with its
21 customers, and to maintain a high velocity of innovation so that it can rapidly create the most
22 comprehensive DevSecOps platform.

23 47. GitLab makes its platform available through its self-managed and software-as-a-
24 service (“SaaS”) subscriptions. For its self-managed subscriptions, the customer installs GitLab in
25 their own on site or hybrid cloud environment, and includes support, maintenance, upgrades, and
26 updates on a when-and-if-available basis. Revenue for self-managed subscriptions is recognized
27 ratably over the contract period based on the stand-ready nature of subscription elements. The
28 Company’s self-managed subscriptions also include a license component which reflects the

1 revenue recognized by providing customers with access to proprietary software features. License
2 revenue is recognized up-front when the software license is made available to the customer.

3 48. For the Company's SaaS subscriptions, the platform is managed by GitLab and
4 hosted either in the Company's public cloud or in its private cloud based on the customer's
5 preference. SaaS subscriptions provide access to GitLab's latest managed version of its product.
6 Revenue for SaaS subscriptions is recognized ratably over the contract period when the
7 performance obligation is satisfied. The typical term of GitLab's subscription contract for self-
8 managed or SaaS offering is one to three years, with the average term lasting roughly 15 months.

9 49. GitLab's pricing structure is broken down into three tiers: (1) Free; (2) Premium;
10 and (3) Ultimate. The Company offers a free tier with numerous features to encourage use of
11 GitLab's DevSecOps Platform, solicit contributions, and serve as targeted lead generation for paid
12 customers. GitLab also offers two paid subscription tiers – its entry level known as the Premium
13 tier, costing between \$19 to \$29 per user per month (described in detail below) and its highest paid
14 offering known as the Ultimate tier, costing \$99 per user per month. Paid subscriptions provide
15 access to additional features including those geared towards managers, directors, and executives.

16 50. GitLab markets its platform as available to any team, regardless of the size, scope,
17 and complexity of their deployment, including small and medium-sized businesses ("SMB") to
18 mid-market to Fortune 500 companies. To reach, engage, and help drive success at each level,
19 GitLab relies on strong partnerships with cloud hyperscalers, including Google Cloud and Amazon
20 Web Services ("AWS"), who offer the GitLab platform on their marketplaces. GitLab also benefits
21 from strategic alliance partnerships, which resell the GitLab platform to large enterprise customers,
22 and channel partnerships ranging from large global systems integrators to regional digital
23 transformation specialists, and volume resellers.

24 51. According to SEC filings, the length of GitLab's sales cycle, from initial contact
25 from a prospective customer to contractually committing to a paid subscription can vary depending
26 on deal complexity and whether the sale is made directly by GitLab or through a strategic
27 partnership. During the fiscal year ended January 31, 2022, the Company's average sales cycle for
28 enterprise customers—GitLab defines as companies with 2,000 or more employees—was 96 days

1 and 20 days for SMB and mid-market customers. According to Defendant Robins, GitLab saw “no
2 meaningful changes in the sales cycle duration” during fiscal year ended January 31, 2023, with a
3 “slight increase, nothing really that material” in enterprise and mid-market and “SMB [] holding
4 to historicals.”

5 52. At all relevant times, within a quarter, GitLab’s revenue growth was represented by
6 roughly 80% expansion from existing customers and 20% from first orders, or new bookings.

7 53. At all relevant times, Gitlab has reported an estimated 30 million or more registered
8 users, which includes users of its Free tier. For purposes of determining the number of active
9 customers, Gitlab looks at its customers with more than \$5,000 of ARR, in a given period, who
10 the Company refers to as its “Base Customers.” A single organization with separate subsidiaries,
11 segments, or divisions that use GitLab’s DevSecOps Platform is considered a single customer for
12 determining each organization’s ARR.

13 54. According to SEC filings, to “evaluate [GitLab’s] business, identify trends
14 affecting [the] business, formulate business plans, and make strategic decisions,” it monitors key
15 metrics including ARR and DBNRR. GitLab claims that its ability to retain and expand its revenue
16 generated from existing customers is an indicator of the long-term value of its customer
17 relationships and its potential future business opportunities.

18 55. GitLab calculates ARR by taking the monthly recurring revenue (“MRR”) and
19 multiplying it by 12. MRR for each month is calculated by aggregating, for all customers during
20 that month, monthly revenue from committed contractual amounts of subscriptions, including the
21 Company’s self-managed and SaaS offerings but excluding professional services. At all relevant
22 times, customers with at least \$5,000 in ARR contributed 95% or more of GitLab’s total ARR.

23 56. In addition to providing the total number of customers with at least \$5,000 in ARR,
24 the Company breaks out the cohort of customers with ARR of \$100,000 or more. GitLab purports
25 that its ability to increase the number of \$100,000 ARR customers is an indicator of its market
26 penetration and strategic demand for the DevSecOps platform. As of January 31, 2023, customers
27 with \$100,000 or more in ARR represented roughly 10% of GitLab’s Base Customers. As of
28 January 31, 2024, customers with \$100,000 or more in ARR represented roughly 11.6%.

1 57. For fiscal year ended January 31, 2023, roughly 69% of GitLab's total ARR came
2 from public sector and enterprise customers with SMB and mid-market customers making up the
3 remaining 31%. According to Defendant Robins, as of the quarter ended October 31, 2023, around
4 60% of the Company's ARR came from enterprise customers, with public sector customers
5 representing a little over 10%, and SMB and mid-market making up the remainder.

6 58. Historically, most of the Company's revenue has come from Premium tier
7 subscriptions. As of January 31, 2023, Premium subscriptions accounted for 60% of GitLab's total
8 ARR. As of January 31, 2024, Premium subscriptions represented 56% of its total ARR.

9 59. DBNRR measures the percentage change in GitLab's ARR derived from its
10 customer base. GitLab calculates DBNRR as of a period end by starting with its customers as of
11 the 12 months prior to such period end, or the "Prior Period ARR." It then calculates the ARR from
12 these customers as of the current period end, or the "Current Period ARR." The Current
13 Period ARR includes any upsells, price adjustments, user growth within a customer, contraction,
14 and attrition. GitLab then divides the total Current Period ARR by the total Prior Period ARR to
15 arrive at the DBNRR. GitLab reports DBNRR on a threshold basis of 130% each quarter and
16 provides a tighter threshold as of each fiscal year end, or the actual number if below 130%.

17 60. Historically, the number one contributor to the Company's DBNRR was seat
18 expansion, followed by tier upgrade to Ultimate, and then increase yield from the customer. As of
19 January 31, 2023, seat growth accounted for roughly 50% of GitLab's DBNRR, with tier upgrades
20 and price yield representing the other 50% equally. As of January 31, 2024, GitLab's DBNRR was
21 represented by roughly 40% seat growth, 40% increased price yield, and 20% tier upgrade.

22 61. During the quarter ended October 31, 2023, GitLab implemented operational
23 changes related to its "account hierarchy process for tracking customers." According to SEC
24 filings, these changes resulted in an update to the Company's methodology for calculating DBNRR,
25 but the definition of DBNRR along with the method of how GitLab determines its number of Base
26 Customers remained the same. Under this new methodology, GitLab's reported DBNRR for the
27 quarters ended April 30, 2023, July 31, 2023, and October 31, 2023 increased from 128% to 130%,
28 124% to 129%, and 124% to 128%, respectively, but all prior quarter disclosures were unchanged.

1 62. On December 4, 2023, GitLab hosted an investor conference call to discuss its
2 financial results for the third quarter of fiscal year 2024 (“3Q24 Earnings Call”). During the
3 question-and-answer segment of the call, Defendant Robins was asked about the strong
4 improvement in net retention during the quarter, to which he responded, in pertinent part:

5 [W]e’ve made a change in the way that we’ve calculated dollar-based net retention
6 rate this quarter to better reflect the business itself. And so this quarter, if you did
7 the old way, be flat, 124% to 124%, but the new way basically takes into account
8 the account hierarchies. The old way that we did it actually kept a static view of
9 parent accounts. And if there is a merger, a new subsidiary, division being shut
10 down or something, it actually showed a churn and then a new business. And so the
change that we made, it’s important to note, doesn’t change the business at all. It
just shifts between growth and new to give a better reflection of what’s going on in
the business.

11 **B. GitLab Prioritizes AI in the DevOps Process**

12 63. Since going public in 2021, GitLab has estimated the total addressable market
13 (“TAM”) opportunity for DevOps platforms to be around \$40 billion. To reach this valuation,
14 GitLab categorized companies of what it considered as adequate scale into tiers based off of
15 employee count as reported by S&P Global and multiplying these cohorts by the average annual
16 recurring revenue from the top 25% of customers in each of the categories.

17 64. Around the same time, AI-assisted coding was seen as the next evolution in the
18 DevOps process, giving developers a new tool to write code easier and faster.

19 65. At its core, artificial intelligence (AI) is a set of techniques for building various
20 types of statistical models that can be used to predict probabilities and answer questions based on
21 the knowledge accumulated.

22 66. AI in the DevOps process refers to the application of artificial intelligence and
23 machine learning to enhance and automate various aspects of the software development lifecycle.
24 This can include everything from code development and testing to deployment and monitoring.
25 By leveraging machine learning (“ML”) algorithms, natural language processing, and predictive
26 analytics, AI can optimize workflows, predict potential issues, and facilitate decision-making
27 processes. By replacing some of their manual processes with automated, AI-powered solutions,
28 DevOps teams can improve product quality and more effectively manage their systems.

1 67. While AI may offer numerous benefits, its integration into the DevOps process also
2 presents challenges. For example, AI models rely on high-quality data to make accurate predictions.
3 Poor data quality can lead to unreliable results and erroneous decisions. Implementing AI-driven
4 solutions requires expertise in both AI and DevOps, making the integration process complex and
5 resource-intensive. Additionally, the use of AI in the DevOps process involves handling highly
6 sensitive data, raising concerns about data security and privacy.

7 68. GitHub, a popular web-based Git repository, acquired by Microsoft in 2018, first
8 announced GitHub Copilot (“Copilot”), an AI pair programmer that suggests code during software
9 development, for “technical preview” in June 2021. Roughly one year later, on June 21, 2022,
10 GitHub announced that Copilot was out of technical preview and made generally available (“GA”)
11 to all developers as an editor extension, or plugin, for \$10 per month or \$100 per year. It was also
12 available for free to use for verified students and maintainers of popular open-source projects.

13 69. With Copilot, for the first time in the history of software development, developers
14 were able to harness AI to write and complete code. According to GitHub, at the time of its general
15 release, Copilot was capable of generating solution code; it was also able to describe input code in
16 English and translate code between programming languages; and included assistive features for
17 developers like, the conversion of code comments to runnable code, and autocomplete for chunks
18 of code, repetitive sections of code, and entire methods and/or functions.

19 70. On May 23, 2022, GitLab released its next major iteration of its DevOps platform,
20 GitLab 15, bringing forward its various DevOps capabilities into one platform. The Company
21 provided, in pertinent part, “We believe upcoming releases will enhance the platform’s capabilities
22 in solution areas including visibility and observability, continuous security and compliance,
23 enterprise agile planning, and workflow automation and support for data science workloads.”

24 71. On September 6, 2022, during the Company’s investor conference call to discuss
25 the financial results for the second quarter of fiscal year 2023, Defendant Sijbrandij highlighted
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27
28

1 the “new advancements in GitLab 15” and described GitLab’s “3 main areas of innovation across
2 the DevOps life cycle,” including the use of AI and machine learning stating, in pertinent part:

3 This area is particularly exciting because it makes our product better, and it enables
4 us to broaden the appeal of our platform to even more use cases and personas. To
5 illustrate how we are leveraging AI to improve the product, we now have a feature
6 where GitLab will suggest to developers who should review their code. They can
find an expert who can provide better feedback, which creates more efficiency as
well as higher-quality, more secure code.

7 To invite more personas to the platform like data scientists, we are also integrating
8 the DevOps process with the MLOps process. We see this as the next big step in
9 consolidating historically separate development workflows. Today, machine
10 learning is an essential part of modern application development. Every significant
11 application is going to have both code and models. Those models go through a life
12 cycle themselves, which includes training, testing and deploying. Data scientists
and engineers are critical stakeholders in this process, yet traditionally, they have
been excluded from the collaboration and efficiency benefits of DevOps and
automation, relying on either manual processes or bespoke toolchain that they need
to maintain.

13 The benefits of our platform will help data scientists and engineers in a number of
14 ways: from collaboration with other teams, planning and managing project sprints,
15 version control for automated workflows, streamline testing and validation and
16 simplified infrastructure management across multiple cloud providers. We are
excited about the significant amount of innovation on our platform from enterprise
agile planning to security to compliance to AI and machine learning.

17 72. On March 13, 2023, during the Company’s investor conference call to discuss the
18 financial results for the fourth quarter of fiscal year 2023 (“4Q23 Earnings Call”), Defendant
19 Sijbrandij again focused attentions on GitLab’s product priorities stating, in pertinent part:

20 Our pace of innovation is widening the competitive moat. We’re confident that we
21 have the right product priorities to capture even more share in this expanding
22 market. Our platform is differentiated in a number of ways. We delivered the most
23 comprehensive DevSecOps platform as a single application. We are open core,
24 ensuring we are on the leading edge of innovation by building with our global
community of customers and users. Over 3,000 new GitLab capabilities came from
the wider community contributions in the last year alone. We have security natively
integrated in our platform built in, not bolted on. We’re cloud agnostic. We’re not
incentivized to push customers to use any cloud provider. So our customers don’t
fear vendor lock-in, and we offer flexibility, different deployment options,
satisfying the needs of the most complicated compliance and security requirements
across all sectors.

25 Our current product priorities are all about building on this differentiation and
26 strengthening GitLab’s position as the most comprehensive DevSecOps platform.
27
28

1 And they are, number one, continue integrating advanced security and compliance.
2 This strengthens our ultimate offering and helps customers bring software supply
3 chain security to the forefront of software development. Number two, deepen native
4 integration of observability, analytics and user feedback. This gives every
5 stakeholder in the software development life cycle, the data and insight they need
6 to unlock the value of their software investment. And third, expand to new use cases
7 and audiences with artificial intelligence and machine learning. Here's an update
8 on what we've accomplished since our last call.

9 *****

10 AI clearly represents a major technological wave. I fundamentally believe that AI
11 will revolutionize DevSecOps platforms. However, AI isn't a department. It's not
12 a stand-alone capability it weaves through every function, every department and
13 every persona involved in developing, securing and operating software.

14 We are pursuing AI as a fundamental and integrated part of the DevSecOps
15 platform. First, we use AI to make GitLab's DevSecOps platform, automate
16 mundane tasks and reduce the cognitive load for our customers. We are creating
17 AI-assisted capabilities for everyone in the software delivery workflow. These
18 improved productivity and efficiency.

19 Let me provide some examples. Suggested Reviewers, which we launched last
20 September, automatically suggests the best available reviewer for code change.
21 This capability removes the guesswork by ensuring the right reviewer with the right
22 contextual knowledge is reviewing code changes so that customers can deploy
23 software more efficiently. Our customers have told us that they absolutely love this
24 new feature because it minimizes delays and leads to better reviews. They now have
25 more confidence in the code they deploy. Already they have leveraged suggested
26 reviewers tens of thousands of times to more efficiently and securely review code
27 on our platform.

28 GitLab code suggestions, which we launched this past February, increases
29 developer speed and productivity by providing code suggestions in their integrated
30 development environment. We plan to add new AI capabilities throughout the
31 DevSecOps life cycle. For example, we are developing an intelligent code security
32 solution to reduce the risk due to insecure coding practices. We anticipate an
33 intelligent code security will automatically detect and remediate code quality and
34 security vulnerabilities. Second, we make it easier for customers to incorporate AI
35 into their applications faster. We are working on integrating this model up solution
36 into the GitLab DevSecOps platform to empower customers to build and integrate
37 data science workloads and extend DevSecOps workflows to AI and machine
38 learning workloads.

39 In summary, AI is going to dramatically change the way teams work, and the way
40 organizations develop secure and operate software. We believe we will be on the
41 leading edge of it, applying the same value of iteration that has led to the creation
42 of the most comprehensive DevSecOps platform. We updated our pricing to reflect
43 the significant enhancements we delivered over the past several years.

1 73. During the question-and-answer segment of the same call, analyst Matthew George
2 Hedberg of RBC Capital Markets, asked Defendant Sijbrandij about his thoughts on generative AI,
3 naming GitLab’s competitor GitHub and its AI-product, Copilot, to which Sijbrandij replied:

4 I think AI is a really big change. It will change software, and it will change GitLab
5 as a platform. It’s -- the biggest impact is how fast people can use the platform. So
6 our strategy for AI is more than just code suggestions. We think AI will change not
7 just our code, but it will change how you classify issues, how you summarize
8 suggestions how you hand over you work to someone else. So we’re going to have
9 AI features throughout the platform. For example, AI and security with intelligent
10 code security in workflow automation. And we’re making rapid progress on that.
11 We have the Suggested Reviewers, which will soon be generally available. We
12 have the code suggestions right now in closed beta, but we’re working on many
13 more AI-powered features.

14 Apart from that, we also want to empower our customers to add AI to their
15 applications. So our model ops functionality already allows you to link your AI
16 experience to GitLab experiments. We’ll be expanding this further so our customers
17 can use AI to make the applications they make with GitLab even better.

18 74. Then, on May 3, 2023, the Company hosted an AI Fireside Chat with analysts and
19 Defendants Robins and Sijbrandij, showcasing its recent AI-features and partnership investments.

20 75. During the call, Defendants touted the capabilities of GitLab’s AI features that
21 Defendant Robins referred to as “GitLab’s differentiators” such that they “help everyone involved
22 in the software development lifecycle” as opposed to only benefiting developers (like competitor
23 models like GitHub Copilot). For example, Defendant Robins prompted relevant discussion stating,
24 “[l]et’s share other AI capabilities that are available to customers now and help security and
25 operations personas,” to which Defendant Sijbrandij replied:

26 I’m super excited about the features we have for security and operations. The first
27 feature that we have out there is Explain This Vulnerability. GitLab helps you
28 recognize which vulnerabilities might exist in your code. It can now say not just,
hey, you have this vulnerability but also how does that vulnerability work. On top
of that, how do you remediate it, all are driven by AI.

Another feature we have is generating tests in merge request. Suppose you fix those
vulnerability. You want to make sure that, that vulnerability never comes back
again. You want a regression test. AI can help you do that.

Last but not least, Explain This Code. For example, if you’re in operations, you’re
frequently dealing with reviewing new code, like what did this do? What does this
cause? The AI can help you interpret the code you’re seeing.

1 76. Later in the call, Defendant Robins raised the question, “We’re hearing from
2 customers, especially at the enterprise level, about the importance of IP protection. It’s a key part
3 of the vision that you just talked about. Let’s dig deeper on what we mean by being privacy first
4 in AI,” to which Defendant Sijbrandij responded:

5 GitLab is trusted by more than 50% of the Fortune 100 to secure and protect their
6 most valuable assets. We believe that enterprises, especially the heavily regulated
7 one, need to know their intellectual property is secure. So we’re focused on a
8 privacy-first approach. The protection of what our customers trust us with is at the
9 forefront of how we will apply AI. For many features that interact with customer
10 source code like Code Suggestions and Explain This Vulnerability, we use models
11 that reside completely within the GitLab cloud infrastructure to help safeguard the
12 customer intellectual property.

13 77. During the question-and-answer segment of the call, Defendant Sijbrandij was
14 asked how the Company’s AI features were comparable to those offered by its competitor, GitHub.

15 <Q: Peter Sterling Auty SVB Securities LLC – Senior Managing Director of
16 Software> So I really appreciate you guys doing this. And what I’m really
17 wondering is I want to go deeper on that Google partnership and in particular, it
18 almost seems like there’s just a natural pathway here in terms of your partnership
19 with Google, making it a GitLab/Google versus Microsoft battle in DevOps moving
20 forward. How would you see that playing out? And in particular, kind of curious
21 which LLMs are actually being incorporated? So how much of what you’ve done
22 is the Microsoft solution versus Google because you did mention kind of doing
23 best-of-breed from that perspective?

24 <A: Sytse Sijbrandij> Thanks for that. I think the battle is GitLab versus GitHub.
25 And in that battle, we have twice the amount of features available to customers
26 today, if you compare it to what GitHub has available to customers plus what they
27 have announced. So we’re very excited about the deepening Google partnership.
28 But GitLab AI uses multiple hyper-clouds, third-party AI services as long as they
meet our privacy-first requirements. But for example, we’re using OpenAI.

Regarding the LLMs, we’re using the state-of-art LLMs that you would expect. So
it seems that the bigger, the better, and we want to make sure that GitLab customers
get the absolute best.

...

<Q: James Derrick Wood TD Cowen, Research Division – MD of TMT – Software
& Senior Software Analyst> A lot of kind of announcements and thanks for walking
through all the new technologies you’re working on. I think it would be helpful to
understand just how you compare and contrast what you guys are working on versus
what GitHub has rolled out and maybe give us some differentiators that you’re
looking for out there. I know it seems like you stressed that you’re running this in

1 your own cloud infrastructure that maybe different from more of a public
2 infrastructure out of GitHub. But I would love to hear kind of a compare and
contrast in terms of what you guys are working on.

3 <A: Sytse Sijbrandij> I think if you compare GitLab versus GitHub, I think GitHub
4 is a dev platform where GitLab is much more a DevSecOps platform. If you look
5 at generative AI, you see the same thing, where GitHub is very focused on
6 everything that has to do with development and coding. And we have to do that but
7 we also want to do security. We also want to do operations. We also want to do
planning and value stream management across the entire life cycle. And I think
that's coming out with the generative AI features, too.

8 78. During the question-and-answer segment of the call, Defendant Sijbrandij was
9 asked to speak on market concerns that greater developer efficiency achieved through AI would
10 lead to a contraction of the total addressable market ("TAM"), and whether GitLab was lagging
11 from the first-mover advantage achieved by GitHub's Copilot feature.

12 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
13 Analyst> Two things I was curious to get your take on. One is when you talk about
14 the hypothesis that this is going to lead to more code generation, more personas, et
15 cetera, can you talk to perhaps any customer anecdotes where that hypothesis has
16 actually been proven out? Because the general prevailing view on Wall Street,
17 maybe this is wrong, is that there's going to be a contraction of the TAM. You're
18 talking about an expansion of the TAM. There's a general view that it's going to
lead to a contraction of the developer opportunity because it's just a lot more
efficient. I can spend 20%, 30% less time, so why would I not need fewer
developers? Maybe that's incorrect. But if you could just debunk that hypothesis
based on some customer case studies, what not, if you have them?

19 And secondly, when you boil it all down, what would be the net critical
20 differentiators versus Microsoft GitHub Copilot because the market seems to be
21 obsessed with the first-mover advantage. So help us debunk that myth that you are
not lagging from that first-mover advantage, that Microsoft [has]?

22 <A: Sytse Sijbrandij> What we're seeing at customers is that because of generative
23 AI, it's easier for people to start participating. So that's a trend. The second thing
24 we're seeing is that every significant application now has both code and AI models,
25 and you need to manage both, and that's becoming a bigger problem. We already
26 have functionality to run experiments in MLflow and in GitLab, and I'm super
excited about the model registry coming up. And having controls around that, you
want to make sure that you version-ed that right, you don't have regressions, you
don't have discrimination going on, and I think we can have a huge role here.

27 I think the -- with the large models, we're seeing that it's really important to have
28 like a really big training set and a really big training run. And it doesn't make sense
for 1,000 companies to make their own big models. And so you're seeing kind of a

1 flight to like a few companies in the world who can do that well. And I think we're
2 very lucky to be able to partner with Google, who's an expertise -- has expertise in
3 this, has run large models for a long time, answering Code Suggestions for a long
4 time. And being able to partner with that, I think we have a really good feeling
5 about being able to offer our customers something that is best-in-class.

6 And we're not just dependent on that. Like our Code Suggestions is based on 9
7 different models, so it's not you can have any one thing that solves everything. It's
8 a question of scope and size, and I think we're doing a really good job on making
9 sure we have something that's high quality there.

10 79. When responding to the question on how AI will impact the total addressable
11 market and GitLab's business, Defendant Sijbrandij stated:

12 [W]e believe that AI will increase the total addressable market for multiple reasons.
13 First, in the code creation process, you're seeing new personas get into the code
14 creation process. We call this sometimes junior or citizen developers. They are
15 using the platform to contribute. And the developer TAM, who's considered the
16 developer, it's expanding. For example, our Code Suggestions makes it easier to
17 code.

18 Second, with features like Explain This Vulnerability, we're expanding who can
19 help with securing software. It's going to expand that persona as well. And third,
20 we're adding ModelOps capabilities through the DevSecOps platform. That will
21 invite data science teams as new personas to use Gitlab, the DevSecOps platform.
22 I think that's really exciting.

23 And finally, we see market interest. As AI makes every individual part bigger,
24 there's more demand for a single application that doesn't have these integration
25 points between applications that slow everything down, and we believe that will
26 expand the DevSecOps platform market.

27 80. During the question-and-answer segment of the call, Defendants were asked about
28 the competitive landscape and the Company's monetization plan for its AI features.

29 <Q: Karl Emil Keirstead UBS Investment Bank, Research Division – Analyst>
30 Maybe, Brian, if we could go back to monetization, maybe a couple for you. When
31 do you think you'll announce specifically your monetization plan? Have you baked
32 anything into your fiscal '24 guidance for this technology? And is there any
33 framework you can provide to try to size what the revenue impact might be in
34 fiscal '25?

35 And then a quickie for Sid. Sid, you framed this as really GitLab versus GitHub.
36 But obviously, Amazon threw its hat in the ring a couple of weeks ago with
37 CodeWhisperer. Do you mind just sharing your framework on how to think about
38 Amazon's entry into this auto programming space?

1 <A: Sytse Sijbrandij> Yes. I think it's super cool that we have more and more
2 companies kind of making code suggestion technologies. I think that if we look at
3 the platform market, the dev platform market, I think that GitHub and GitLab are
by far the biggest contenders. So that's where we're focusing our competitive
attention. Brian?

4 <A: Brian G. Robbins> Yes. Thanks, Karl, about the financial questions. The
5 purpose of today's call is really to go through the features and what we've been
6 doing with generative AI and to go through and show some demos. At a later time,
we will go through what the impact will be to outer years' revenue as well as the
cost model, but we aren't updating any of the guidance today.

7 81. Following the Fireside Chat, UBS Securities, LLC published a report noting that
8 "GitLab's 'AI fireside' is partly in response to heightened investor concern that the Company has
9 fallen behind Microsoft at least in this early phase of the generative AI roll-out process." UBS
10 went on to say that during the Fireside Chat, "[t]he company focused heavily on the privacy and
11 security aspect of AI, signaling it is top of mind for customers and GitLab." The report indicated
12 that UBS's checks "corroborated this as a key concern/potential blocker to early adoption."

13 82. RBC Capital Markets also issued a report following the Company's AI Fireside
14 Chat, highlighting Defendant Sijbrandij's discussion of GitLab's strategy on AI and its role in
15 solving customer pain points and its AI product roadmap. The report noted that, "[w]hile no
16 financial details were given, [RBC] came away with a better appreciation of the role of GAI across
17 the SDLC [software development lifecycle] and GitLab's opportunity to benefit from fast moving
18 trends." In particular, the report focused on management's discussion regarding AI's ability to
19 increase its total addressable market and the different monetization options available to GitLab.

20 83. Truist Securities also covered the event noting that "Management emphasized the
21 importance of privacy controls for their customers at every stage of the deployment which has
22 been a key focus for enterprises adopting the [AI] technology. The company's long-term strategy
23 with the technology is to integrate it throughout their platform approach rather than to bolt it on as
24 an additional module. Though we do not expect monetization of these features in FY24, we came
25 away incrementally optimistic on the roadmap that management laid out."

26 84. Then, on May 22, 2023, GitLab announced its newest iteration, GitLab 16, its AI-
27 powered DevSecOps platform. The press release purported that GitLab 16 was to include a wide
28

1 range of new capabilities in security, compliance, AI/ML, and value stream analytics, enabling
 2 customers to ship software faster. GitLab also announced upcoming AI-powered features, Refactor
 3 This Code and Resolve This Vulnerability, set to join its “platform-wide capabilities available to
 4 customers now” including Code Suggestions, Explain This Code, Explain this Vulnerability,
 5 Value Stream Forecasting, and Suggested Reviewers. The press release stated, in pertinent part:

6 The current and upcoming updates to GitLab 16 reflect the industry demand for AI
 7 integrated with DevSecOps workflows and the need for organizations to ship secure
 8 software faster, according to GitLab’s 7th annual Global DevSecOps Report,
 9 Security Without Sacrifices. The survey found that 65% of developers are using
 10 artificial intelligence and machine learning in testing efforts or plan to in the next
 11 three years. The report also found that security, efficiency, and automation were the
 top benefits of a DevSecOps platform. The new functionalities released with
 GitLab 16 enable organizations to leverage the power of AI to deliver software
 efficiently, without compromising security.

12 85. Accordingly, leading up to the Class Period, GitLab had laid the groundwork,
 13 positioning itself as a leading competitor in the race to incorporate AI throughout the software
 14 development lifecycle in order to optimize code generation thereby making all levels of software
 15 development more affordable and increasing market demand. As recognized by Defendants, AI
 16 integration spurred significant privacy and data security concerns amongst existing and potential
 17 clients. What set GitLab apart from the rest, according to Defendants, was its one platform design
 18 incorporating security in the DevOps process, allowing the Company to integrate AI-powered
 19 features throughout the software development lifecycle while at the same time protecting highly
 20 sensitive data. As such, Defendants understood investors and analysts were acutely focused on
 21 market demand, customer adoption, and monetization opportunities for the Company’s AI features.

22 **C. GitLab Ups its Premium Tier Pricing by 53%**

23 86. In addition to making a fundamental shift towards encompassing AI technology
 24 across its entire DevSecOps platform, calendar year 2023 (FY 2024) brought big changes in
 25 GitLab’s subscription pricing model.

26 87. On March 2, 2023, GitLab announced a price increase on its Premium tier from \$19
 27 to \$29 per user per month (a 53% increase), effective April 3, 2023. The Company justified the
 28 steep increase providing that, “[s]ince February 2018, we expanded GitLab Premium to include

1 more than 400 features across the entire software delivery lifecycle so customers can focus on
2 delivering high-quality software faster.” The press release also explained that existing GitLab
3 Premium customers would have a one-time transition price of \$24 per user per month
4 automatically applied to their upcoming renewals until April 2, 2024.

5 88. On March 13, 2023, during the Company’s 4Q23 Earnings Call, Defendant
6 Sijbrandij discussed the Premium price increase attributing the change to the new features offered,
7 including its AI-powered features, and explained that GitLab “rolled out a significant step to
8 accelerate [] product-led growth motion” stating:

9 This month, we will begin applying user limits to the GitLab SaaS free tier. With
10 this change, organizations on our free tier will be limited to 5 users. This gives them
11 the opportunity to experience the value of a comprehensive DevSecOps platform
12 while also driving them to convert to a paid tier if they use it with a larger team.
We believe this change will drive an even greater adoption of our paid tiers.

13 89. During the question-and-answer segment of the 4Q23 Earnings Call, Defendant
14 Robins was asked about his “confidence that the price increases would stick” and whether the
15 increase was already included in the Company’s guidance for FY 2024, to which he responded:

16 Yes. No, thank you for that. So we did include price increase in the guidance. If
17 you think about the price increase, it’s for Premium. And so it doesn’t take effect
18 for existing customers until they come up for renewal. And so you have to actually
19 roll that -- when the contract actually comes up and then what that revenue impact
20 will be, we did serve a stair set for existing customers. And then when you look at
21 new customers, the majority of our bookings within a quarter is from our existing
customers, so that’s a smaller amount. So we did factor that in. And then prior to
implementing the price increase, we went out and did a lot of market studies and so
forth on what the right price would be based on the number of features that we
brought to market over the last 5 years.

22 90. As discussed above, the average term for GitLab’s subscription contract is roughly
23 15 months. At the time, Premium subscriptions accounted for roughly 60% of GitLab’s revenue.
24 In addition, historically 80% of GitLab’s quarterly revenue growth comes from existing customer
25 expansion and 20% new orders. Accordingly, GitLab presented the Premium price increase as
26 having more of a long-term impact under its ratable business model.

1 91. During the 4Q23 Earnings Call, analyst Jason Noah Ader of William Blair &
2 Company LLC asked how GitLab was “positioning the price increase versus GitHub,” to which
3 Defendant Sijbrandij responded:

4 Yes, I think what we have is a more comprehensive platform. So we do the entire
5 DevSecOps cycle. It can replace more tools. In the end, what our customers need
6 is to spend less time integrating tools to have fewer people to have a faster cycle
7 time. So it’s really about having a compelling value and having the most
8 comprehensive platform. That’s what we’re selling, that’s what the results are
showing. And of course, there’s the price of the software. But if you earn it back in
under 6 months, it’s an amazing deal.

9 92. Analyst covering GitLab understood the Premium price increase as a positive for
10 fiscal year 2025. For example, on March 14, 2023, FBN Securities, Inc. issued a report entitled,
11 “GTLB: Headwinds Seen in F2024, but F2025 Should Benefit from Recent Premium Price
12 Increase as Margins Expand Further,” in which FBN highlighted the one-time transition price for
13 existing Premium customers and provided expectations that this price increase would have more
14 of a revenue impact in FY 2025 than FY 2024.

15 93. On March 22, 2023, Piper Sandler issued a report following a series of investor
16 meetings with Defendant Robins to discuss, *inter alia*, the recent spotlight on AI and its impact on
17 DevOps and the timing and impact on the Company’s business model following its recent price
18 increase. Reflecting on these recent discussions, the report noted, in pertinent part, that the “impact
19 of price increase layers in more in F’25 and F’26” explaining that GitLab’s recent price increase
20 came with “a two-year phased increase for existing Premium customers (\$5 increase per year).”

21 94. On April 13, 2023, Needham & Company, LLC issued a report further breaking
22 down the nominal revenue benefit from the Premium price increase in FY 2024, with a greater
23 impact in FY 2025 and an additional tailwind to FY 2026. The report included a screenshot taken
24 of GitLab’s website on April 12, 2023, showing that, in addition to offering transition pricing to
25 existing Premium customers, the Company was also offering, for a limited time, new Premium
26 customers the same one-time transition offer of \$24 per user per month for one year subscription,
27 with discounts auto-applied at the customer’s next renewal date occurring within the first year.
28

1 95. On April 16, 2023, Truist Securities issued a report entitled, “Under the Microscope:
2 Updating our Current Thoughts on GitLab,” diving into, *inter alia*, the Company’s recent price
3 increase and focused investment in developing AI features. When discussing the Premium price
4 increase the report stated that:

5 The pricing changes that GitLab rolled out in early April are the key driver in the
6 fundamental story for the company here. Over the course of the next year as the
7 renewals come through we anticipate that the potential ARR uplift from the
8 intermediate pricing for Premium customers alone could drive as much as \$50M -
9 \$70M in ARR upside to current Street numbers through FY25. Although it is too
 early to know the full impacts of the pricing change, we note that the company did
 not allow early renewals which removes a pull forward effect from current
 customers in 1Q24 and smooths the model trajectory in FY25.

10 96. Accordingly, leading into the Class Period, GitLab positioned the Premium price
11 increase as having a nominal impact on the current fiscal year ending January 31, 2024 (FY 2024)
12 with most realized gains to come the following fiscal year ending January 31, 2025 (FY 2025).
13 Under the Company’s ratable business model, growth in the Premium tier in FY 2024 was expected
14 to reflect two-fold in FY 2025 based on the tiered pricing model. Defendants were aware investors
15 and analysts alike were acutely focused on customer behavior and the long-term impact the
16 Premium price increase could have on GitLab’s bottom line.

17 **D. Defendants Concealed Weak Market Demand for GitLab’s AI-Powered**
18 **Features and Pricing Sensitivity for Its Premium Tier**

19 97. On June 5, 2023, the first day of the Class Period, the Company silenced concerns
20 regarding its previously announced FY 2024 guidance reporting stronger than expected financial
21 results and touting Gitlab’s fast-paced AI innovation driving revenue growth opportunities.
22 Defendants also introduced GitLab’s much anticipated paid add-on for its AI-powered features,
23 GitLab Duo, expected to be priced at \$9 per user per month when made available later in the year.

24 98. Later that day, GitLab hosted an investor conference to discuss the financial results
25 for the three-month period ended April 30, 2023, the first quarter of fiscal year 2024, during which
26 Defendant Sijbrandij promoted GitLab’s quarter accomplishments in AI development claiming
27 that “[i]n 1Q, we delivered 5 new AI features. And in the first half of May alone, we delivered 5
28 additional features. All of these are available to customers now, and we continue to iterate on Code

1 Suggestions ... available on gitlab.com for all users while in beta.” He went on to say that “AI is
2 not only changing how software is developed, it’s also amplifying the value of having a
3 DevSecOps platform. DevSecOps is a category that we created, and we’re seeing it enter a
4 mainstream adoption phase.” Sijbrandij highlighted purported “conversations with senior-level
5 customers” had during the quarter that seemingly supported GitLab’s push to incorporate AI
6 throughout the entire software development lifecycle.

7 99. During the same call, Defendant Robins discussed the Company’s Premium price
8 increase, reiterating that it was “to have minimum impact in FY ’24 with greater impact in FY ’25
9 and beyond.” Defendant Robins went on to add, “[t]he price increase, which took effect on April
10 3, is going as planned. We only had 1 month of renewals impacted by the price increase in the
11 quarter. To date, customer churn is unchanged for the Premium customers who renewed in April,
12 and our average ARR per customer increased in line with our expectations.”

13 100. That same day, D.A. Davidson & Co. issued a report entitled, “Bounceback
14 Quarter,” highlighting how GitLab “reported a good start to the FY24 with a beat and raise across
15 the board as growth was better than feared. GitLab has released ten AI features this year which
16 remain in the early phase of adoption and management emphasized demand from customers for
17 an entire DevSecOps platform to handle compliance and security requirements.” The analyst group
18 also raised its price target to \$45 from \$30 “on higher estimates as GitLab benefits from Generative
19 AI tailwinds.” The report also noted that GitLab stock after hours was nearly back to where it was
20 before the steep FY 2024 revenue deceleration guidance was during the 4Q23 Earnings Call.

21 101. Piper Sandler & Co. also issued a report on June 5, 2023 noting that, “[s]trong 1Q
22 results exceeded expectations as top line beats by widest margin in past year and operating margins
23 top forecast with unit economics continuing to improve.” The report highlighted that GitLab
24 “remains bullish on AI opportunity and has quickly shifted to embedding more capabilities into
25 platform, driving our continued confidence in ability to execute on GenAI opportunity.”

26 102. Throughout the Class Period, Defendants continued to provide overwhelmingly
27 positive statements to investors concerning, *inter alia*, the capabilities of its AI-powered features,
28 market demand for AI integration at every phase of the software development lifecycle generating

1 expanded monetization opportunities, and customer acceptance and adoption of its new AI features
2 and pricing models, and as a result, disseminated materially false and misleading information
3 and/or concealed material adverse facts regarding GitLab's revenue growth in FY 2025.

4 103. For example, during GitLab's investor conference call to discuss the financial
5 results for three-month period ended July 31, 2023, the second quarter of fiscal year 2024, held on
6 September 5, 2023, Defendant Sijbrandij touted the Company's purportedly then-existing AI
7 capabilities and described GitLab as having "a commitment to privacy and transparency in our use
8 of AI, and we also deliver AI throughout the entire software development life cycle." When
9 discussing GitLab's strong second quarter results, Sijbrandij claimed "[t]hey demonstrate
10 continued momentum and solidify our category leadership. With our recent analyst and customer
11 validation, we are well positioned to win in the estimated \$40 billion market opportunity. I'd like
12 to thank our customers for trusting GitLab."

13 104. During the same call, Defendant Robins presented past and current customer
14 response to the Premium price increase as supportive of future growth stating "[i]n the first 4
15 months post launch, customer behavior was in line with our expectations. As a reminder, we
16 anticipate minimal impact to our financials from this change in the current year. We expect the
17 price increase to have a much larger impact in FY '25 and beyond."

18 105. During the Company's investor conference call to discuss the financial results for
19 the three-month period ended October 31, 2023, the third quarter of fiscal year 2024, held on
20 December 4, 2023, Defendant Sijbrandij continued to promote GitLab's AI integration supporting
21 expanded monetization opportunities claiming, "Our approach to AI is resonating with our
22 customers... We're excited to see the benefits of GitLab's AI features across the entire value chain,
23 and even our most seasoned engineers are seeing value."

24 106. During the same call, Defendant Robins noted some changes in customer behavior
25 during the quarter, pointing to longer sales cycles, claiming that "in the mid-market and SMB, we
26 see customers continue to be cautious in an uncertain macro environment." Nevertheless, he
27 continued to promote GitLab's AI development and the Premium price increase as key contributors
28 to GitLab's future growth stating, in pertinent part, "[t]here are a number of drivers we believe

1 will fuel our business in FY '25 and beyond. At our core, continuing to deliver customer value
2 with our DevSecOps platform aligns our success with our customers' success. Additionally, in
3 April this year, we raised the price of our Premium tier for the first time in 5 years. Thus far,
4 customer behavior has been in line with our expectations.”

5 107. Contrary to Defendants' representations: (1) GitLab's AI features did not possess
6 the capabilities they expressed publicly; (2) the Company's AI features had not been made widely
7 available to customers when announced; (3) demand for AI integration throughout the software
8 development lifecycle was weak due to security and data privacy concerns; (4) customer feedback
9 regarding the AI-powered features that were made available was largely negative; (5) customers
10 did not see AI integration as a value add hindering expanded monetization opportunities; (6)
11 GitLab was already experiencing significant slowed or stalled net seat expansion due to pricing
12 sensitivity following the Premium price increase; and (7) as a result, declining growth under the
13 Premium tier, coupled with the slow customer adoption of GitLab's AI-powered features and weak
14 market demand for AI integration throughout the software development lifecycle, significantly
15 reduced GitLab's potential for revenue growth in FY 2025 under its ratable business model.

16 108. The accounts of GitLab's former employees and other confidential witnesses
17 described below corroborate factual allegations regarding the delayed deployment and unmatched
18 capabilities of GitLab's AI features, in addition to weak market demand for AI integration,
19 negative customer feedback, and rejection of the Company's pricing model, resulting in the
20 announcement of lower-than-expected FY 2025 guidance based on needing additional time to
21 “build out its build out its pipeline and close deals.”

22 109. Specifically, FE2 described their role in the Company as being the point of contact,
23 along with GitLab's account executives, for its strategic accounts. FE2 stated that they helped with
24 escalating and triaging these strategic accounts' issues with GitLab products and helped with
25 making sure they were adopting the platform along with any upselling or add-on opportunities.
26 FE2 explained that in this role they partnered with account executives and solutions architects to
27 ensure GitLab customers were able to maximize their return on investment.
28

1 110. When asked about GitLab’s AI product offerings, FE2 explained that during their
2 tenure with the Company (August 2022 to July 2023), AI integration was a new feature that was
3 still in the process of being released and trialed. FE2 recalled that their only exposure to the
4 Company’s AI product offerings was through promotional videos GitLab had its representatives
5 use to promote the product to customers. According to FE2, customers they worked with (primarily
6 large enterprise customers) were only shown video demonstrations of the different possibilities of
7 GitLab’s AI assistance.

8 111. During their tenure with the Company (May 2020 through July 2023), FE4
9 described the atmosphere at the Company as panic to get onboard the AI train, expressing the
10 general sentiment as, if GitLab was not working on integrating AI, it would get left behind.
11 According to FE4, GitLab was scrambling, moving very quickly, to formulate an AI strategy and
12 develop a meaningful product.

13 112. FE4 went on to explain that GitLab was never aiming for its AI product to compete
14 with GitHub’s Copilot product. According to FE4, GitLab publicly created “massive confusion”
15 on that point. While GitLab would have liked to compete with GitHub, according to FE4, it was
16 not capable of doing so. GitLab cannot compete with GitHub in a space where GitHub is great,
17 said FE4. Accordingly, FE4 explained that GitLab tailored its AI-powered features for companies
18 that need security and strong audit trails and the ability to prove they are doing what needs to be
19 done and provide proof to auditors—*i.e.*, the Company’s enterprise and public sector customers as
20 opposed to its customers in the SMB and mid-market sectors. FE4 claimed that, because GitHub
21 is very engrained in OpenAI, limiting its influence in certain high security sectors, GitLab sought
22 to design its AI product line for companies operating in regulatory environments.

23 113. Likewise, CW1 explained that GitHub’s AI pathway has been more focused on the
24 end software developer and making them as productive as possible while GitLab was focused on
25 the enterprise software release process and the totality of the workflow when it comes to software
26 development. According to CW1, GitLab’s model does not necessarily translate into the best
27 product for the end user, while it may result in a better outcome for the corporation looking to
28 deploy as quickly as possible from idea to execution.

1 114. Moreover, according to CW1, GitLab Duo really only works for GitLab SaaS
2 subscriptions, meaning the customer has to have a GitLab cloud environment as opposed to a self-
3 managed platform to use GitLab Duo. CW1 went on to explain that some of the Company's AI-
4 powered features would work if the customer was connected to the Internet, but because a lot of
5 the customers that utilized GitLab's self-managed subscriptions are disconnected from the Internet
6 for security reasons, there is no way for these customers to use the Company's AI-powered features.
7 That is a really hard selling point, said CW1.

8 115. CW1 described another "main problem" with GitLab's monetization plan for its
9 AI-powered features when compared to GitHub's Copilot is that GitLab Duo is an additional SKU
10 for GitLab meaning the customer must have or purchase GitLab to use GitLab Duo—the customer
11 cannot use the AI features without GitLab. Conversely, to use Copilot the customer does not need
12 GitHub, they can just buy Copilot and plug it into any type of software development program tool.
13 According to CW1, it was not necessary for GitLab to "hide" the Company's AI-powered features
14 in the GitLab platform. In doing so, CW1 said there was a "huge barrier" to sell GitLab Duo versus
15 no barrier to selling GitHub Copilot.

16 116. When asked about GitLab's AI functionality as compared to GitHub's, at all
17 relevant times, CW2 described it as pretty far away from it. CW2 went on stating that the response
18 times and the actual responses that engineers get out of GitLab Duo are not up to par when
19 compared to GitHub Copilot—the quality is not as good, even on the enterprise level. CW2
20 provided the example of patching a vulnerability explaining that, even if it gets it wrong nine out
21 of ten times, being able to do it correctly once, it can be used as a tack to increase pricing.

22 117. FE1 recalled that, during their tenure (September 2022 to September 2024),
23 customer feedback regarding the Company's AI-powered features was not great for a long time.
24 FE1 said that the Company's AI integration throughout the software development lifecycle was
25 rarely a feature customers were excited about. FE1 went on to say GitLab's suite of AI-powered
26 features was hard to sell to customers. When asked whether the Company's AI product line was
27 matching its publicly touted capabilities, FE1 responded by stating it was not there yet.
28

118. FE1 stated that Ms. Kramer, GitLab's CMO, CSO, and Interim CRO, exaggerated the Company's AI capabilities and other GitLab features. This caused turmoil amongst the upper ranks at GitLab, particularly between Ms. Kramer and the various VPs who ultimately left, FE1 said. FE1 also recalled consistent conflict amongst GitLab's senior executives, primarily involving Ms. Kramer and Defendant Sijbrandij, and to a lesser degree, Ms. Kramer and Defendant Robins.

119. Accordingly, Defendants created the false impression that they possessed reliable information pertaining to the Company's ability to develop and incorporate AI throughout the software development cycle in order to optimize code generation thereby increasing market demand and making all levels of software development more affordable and properly monetizing its AI features. In truth, there was weak market demand for Gitlab's touted AI features. GitLab had not intended to, nor did it, develop AI-powered features competitive to GitHub Copilot, and the Company's focus on speed throughout the entire software development process came at a cost of accuracy and productivity, resulting in an inferior and undesirable product line. In the process, Gitlab also limited its potential market reach by restricting access to its suite of AI-powered features to GitLab customers only and by developing a product line tailored for a limited pool of customers in the enterprise and public sectors, customers with high data and privacy concerns, that were only accessible through a cloud environment or in limited form via the Internet. Additionally, as confirmed by post-Class Period events and information, the Company was experiencing price sensitivity in the Premium tier, especially within the SMB and mid-market sectors, following its recent price hike. Defendants misled investors by continually highlighting AI-driven innovations to drive market share demands and ensuring prolonged positive impacts from the Premium tier price increase.

E. GitLab Reveals Lower-than-Expected Guidance for Fiscal Year 2025

120. On March 4, 2024, GitLab issued a press release reporting strong 4Q24 results followed by an announcement of lower than expected full-year guidance for FY 2025. Specifically, the Company reported a quarterly revenue of \$163.8 million, representing a growth rate of 33% y/y and an annual revenue of \$579.9 million, representing a growth rate of 37% y/y, followed by

1 the guidance for the full year FY 2025 with an expected revenue of \$725 to \$731 million,
2 representing a growth rate of approximately 26% y/y.

3 121. The lower-than-expected guidance was also delivered at the same time as the
4 Company's announcement that it was now selling Duo Pro – a paid add-on for its AI features like
5 Code Suggestions, Chat, and other organizational control capabilities – for \$19 per user per month
6 (\$10 more than its initial target price).

7 122. That same day, GitLab hosted an investor conference call to discuss the 4Q24 and
8 FY 2024 financial results and FY 2025 guidance, during which Defendants acknowledged that a
9 driving factor of the lower-than-expected guidance was that they were “seeing normalization in
10 buying behavior” and as a result, their “guidance philosophy” was to be “less conservative this
11 year than in the first 2 years.” Defendants also announced that the Company needed time to “build
12 its pipeline and close deals on new products” before they could have a “meaningful impact in
13 [GitLab's] ratable business model” – referring to GitLab's new paid add-ons for its AI-powered
14 features. The messaging regarding the Premium price increase also shifted with Defendants
15 declaring that the impact in FY 2026 would be bigger than FY 2025.

16 123. In addition, Defendant Robins reminded investors that every year, GitLab evaluates
17 its stand-alone selling price or SSP, which determines its upfront revenue recognition rate for
18 license revenue. At that time, GitLab had not finished its SSP analysis for FY 2025, so Defendants
19 had not factored any change to SSP in the FY 2025 guide. Defendant Robins announced that they
20 would share an update at the next earnings call once they had the results of the SSP analysis.

21 124. Investors reacted immediately to GitLab's revelations. The price of GitLab's
22 common stock declined dramatically. From a closing market price of \$74.47 per share on March
23 4, 2024, GitLab's stock price fell to \$58.84 per share on March 5, 2024, a decline of about 21% in
24 the span of just a single day.

25 125. Despite this precipitous decline in the Company's stock price, confusion regarding
26 the underlying contributors to GitLab's soft guide remained in the market. For example, during
27 the question-and-answer segment of the call, analysts questioned whether customer buying
28

1 behavior relating to the Premium price increase in FY 2024 factored into the “conservative”
2 guidance for FY 2025 with little clarity provided by Defendants.

3 <Q: James Derrick Wood – Analyst> I guess in the context of this, it looks like
4 your guidance of 25% to 26% revenue growth for fiscal ’25 would be conservative.
5 So just 2 questions. Are there any drags in the model we should be aware of that
6 may not be reflected in the backlog or the trailing 12-month NRR numbers? And
7 then is it fair to say you think that growth tailwinds from pricing and from AI will
8 be higher in fiscal ’26 versus fiscal ’25?>

9 <A: Brian G. Robins> The points that you made obviously are all true and valid.
10 The revenue growth of 33% are guided 26% next year. That factors in the buying
11 behavior and the normalization that we’ve seen in the market. We do have a ratable
12 model. And then being a -- entering our third year as a public company, that’s when
13 we’re -- we said our guidance was to be less conservative than the prior 2 years.
14 And so I think the setup with the new products and the normalization of buying
15 behavior as well as the metrics that we put up this quarter is a good setup for next
16 year.

17 ...

18 <Q: Jason Noah Ader – William Blair – Analyst> Brian, just trying to square, I
19 guess, with everybody else the guidance with the less conservative posture
20 comment. In particular, if NRR is trending up and is around 130%, doesn’t this
21 imply that NRR would have to decline from here for revenue growth to be in the
22 mid-20s?

23 <A: Brian G. Robins> There’s a number of factors that go into our guidance. We
24 build it from a bottoms-up perspective. And I would just say that what we reported
25 was actuals and what we’re guiding to is guidance, right? So it’s not comparing
26 apples to apples.

27 126. A number of well-known analysts following Gitlab commented on the Company’s
28 disclosures. For example, on March 5, 2024, Needham & Company, LLC reported that GitLab
was “quick to call out that new offerings are captured in the guidance, but Revenue contribution
will be slow to ramp due to GitLab’s ratable Subscription-based model.” Needham also
highlighted how “Management did not directly quantify the benefit from the Premium price
increase to FY24” but “maintained its previous view that the pricing change will generate an
incremental \$10 Million to \$20 Million in Revenue” in FY2025, “with a larger Revenue tailwind
expected in FY26.” Another analyst, Scotiabank Global Equity Research, reported “[w]e think the
main debate now turns to how much of the strength in 4Q was driven by the premium pricing

1 change vs. better execution/improving macro conditions...Furthermore, mgmt. noted they expect
2 more contribution from the price increase as well as new SKUs (Duo, EAP, etc) in FY26 vs. FY25.”

3 127. Accordingly, GitLab’s May 4, 2024 announcement of the lower-than-expected FY
4 2025 guidance, at the same time as the price increase of its paid add-on, GitLab Duo, revealed that,
5 contrary to Defendants’ Class Period representations, the Company had struggled to sell its
6 customers on the value add of its AI-powered features in FY 2024 and signaled that market demand
7 remained weak requiring additional time to build out its pipeline and properly monetize GitLab’s
8 AI features. The confusion that remained related to the impact of the Premium price increase.

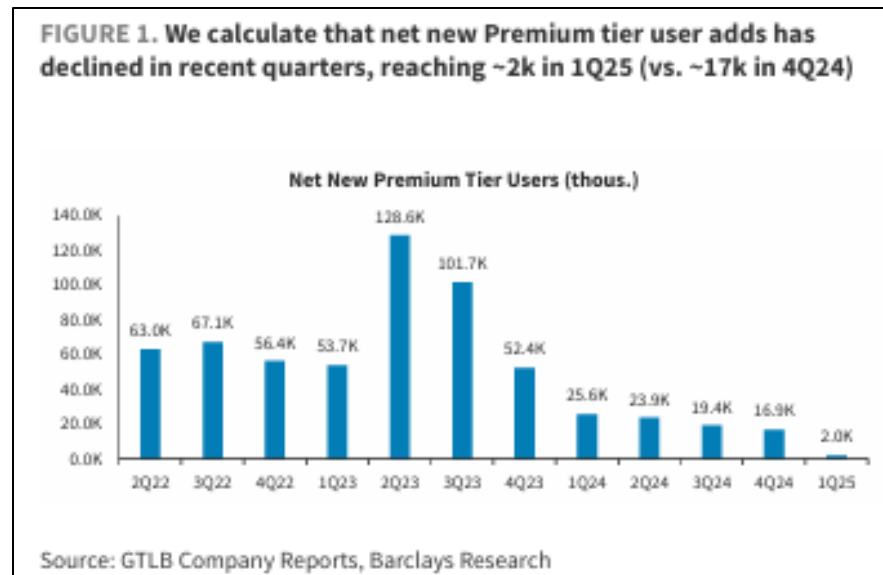
9 128. While Defendants identified “seeing normalization in buying behavior” as a
10 contributing factor to the soft guide, they continued to mislead the market by omitting material
11 adverse information relating to pricing sensitivity in its Premium tier. Defendants failed to disclose
12 that throughout FY 2024, GitLab experienced significant slowed or stalled net seat expansion. This
13 was pronounced in the SMB and mid-market sectors, which accounted for 30% of the Company’s
14 revenue. GitLab’s sustained decline in seat expansion under its Premium tier – representing
15 between 56% to 60% of total ARR in FY 2024 – adversely impacted its potential revenue growth
16 in FY 2025 under the tiered pricing model of the Premium price increase and significantly
17 increased the risk of DBNRR contraction under its ratable business model.

18 129. Then, during after-market hours on June 3, 2024, GitLab issued a press release
19 announcing its financial reports for the first quarter of fiscal year 2025. In pertinent part, GitLab
20 announced that it had completed its SSP analysis which had resulted in an estimated \$4 million
21 headwind to FY 2025 revenue guidance relative to the initial guidance revealed on March 4, 2024.
22 GitLab also revealed that for the first quarter of 2025, its ARR increased approximately 21% y/y
23 (landing 5 points below consensus growth expectations), this compares to a growth rate of 37%
24 y/y in the prior quarter. In addition, GitLab’s DBNRR dropped sequentially by 1 point to 129%.

25 130. In response, the price of GitLab securities declined from the closing market price
26 of \$47.07 per share on June 3, 2024, to \$44.75 per share at close on June 4, 2024, a drop of nearly
27 5% in a single day.
28

131. Analysts covering GitLab commented on these revelations. For example, on June 3, 2025, J.P. Morgan issued a report which noted that while GitLab raised its FY 2025 revenue guidance following 33% revenue growth y/y in the first quarter, the revenue beat was lower than usual and the Company “didn’t raise the FY pricing benefit assumption and nor did it reiterate it.” Following these disclosures, J.P. Morgan lowered its price target and remained “Neutral” rated.

132. On June 4, 2025, Barclays Capital Inc. issued a report entitled, “1Q25 Earnings: Debate on 2H Upside After Slimmer 1Q Beat: Margins and Ultimate tier adoption were positives, though GTLB starts to lap contributions from its Premium tier price increase from here.” Barclays noted GitLab’s “weaker rev[enue] beat (~2% vs. ~4% in 4Q and ~7% in 3Q) and billings growth of ~21% YoY coming below Street consensus (27%)” and while it did raise the FY 2025 guidance, the increase prompted questions “regarding the upside to rev[enue] for the remainder of the year (especially against tough comps due to receiving more benefits from its price increase in 2H24).” In the report, the analyst also noted that based on its calculations “GTLB added fewer net new Premium Tier customers in 1Q25 (via our ex-pricing impact math), potentially reflecting strong SMB headwinds.” The following chart is from this report and shows the trend of declining net seat expansion throughout the Class Period:



133. The fact that these analysts, and others, discussed GitLab’s shortfalls in AI monetization and below-expectation revenue growth from the Premium price increase, as well as

1 the Company's shockingly conservative guidance suggests the public placed significant weight on
2 GitLab's statements of prior confidence in their growth strategy dependent on AI integration and
3 the Premium price increase. The frequent, in-depth discussion of GitLab's guidance confirms that
4 Defendants' statements during the Class Period were material.

5 **F. Post-Class Period Events Confirming Defendants' Fraudulent Misconduct**

6 134. On June 25, 2024, the Company issued a press release entitled, "GitLab Survey
7 Reveals Tension Around AI, Security, and Developer Productivity within Organizations." The
8 press release explained that, in April 2024, GitLab surveyed over 5,300 chief experience officers
9 ("CxOs"), IT leaders, developers, and security and operations professionals worldwide on their
10 successes, challenges, and main priorities for implementing DevSecOps. In pertinent part, the
11 Company purported that of the global CxOs surveyed, 69% said they were shipping software at
12 least twice as fast as a year ago, however, only 26% of respondents reported implementing AI. In
13 addition, the Company's report showed that 56% of CxOs said introducing AI into the software
14 development lifecycle is risky, and 40% of individual contributors cited concerns about privacy
15 and data security as a top obstacle to using AI in the software development lifecycle.

16 135. Accordingly, GitLab's survey evidenced that customers were reluctant to adopt AI
17 features across all areas of the software development lifecycle, as alleged by FE1. The report also
18 indicates that the leading hinderance to AI adoption was privacy and data security concerns, issues
19 Defendants held themselves out as knowledgeable of since before the Class Period began.

20 136. On July 1, 2024, GitLab began offering a "SMB Premium Tier" for \$19 per user
21 per month, essentially rolling back its April 2023 Premium price increase to \$29 per user per month
22 for customers accounting for roughly 30% of its total ARR.

23 137. In addition, despite raising its add-on price from \$9 per user per month to \$19 per
24 user per month at the end of the Class Period, the Company began offering GitLab Duo Pro – its
25 suite of AI-powered features – for 60 days Free to new and existing customers, signaling continued
26 weak market demand for AI-powered features in the DecOps process.

27 138. On July 2, 2024, Barclays Capital Inc. reported on GitLab's SMB Premium offer
28 commenting that, "the new pricing could be a reflection of GTLB's Premium tier pricing

(\\$29/user/month) being slightly higher hurdle for smaller businesses” and when discussing its offer of free access to Duo Pro, Barclays noted that, “Duo adoption is critical to the GTLB bull case from here.” The report went on to highlight GitLab’s 1Q25 results, namely the steep decline of net new Premium tier users in the quarter, attributing the loss to stronger SMB headwinds.

139. Then, on September 10, 2024, GitLab presented at the Piper Sandler Growth Frontiers Conference. During the conference, when Defendant Robins was asked about the impact of the Premium price increase, he acknowledged for the first time that GitLab has “actually seen a little price sensitivity [] in SMB and mid-market” resulting in lower Base Customers added.

140. The chart below shows GitLab’s quarterly report of (1) customers with at least \$5,000 in ARR, (2) the growth rate of its Base Customers year-over-year, (3) the number of Base Customers with \$100,000 or more in ARR, and (4) its DBNRR (under new methodology):

Reporting Period	>\$5K ARR Customers	Growth Rate Y/Y	>\$100K ARR Customers	DBNRR
January 31, 2021 (4Q21)	2,745	-	283	>145%
April 30, 2021 (1Q22)	3,142	-	324	>130%
July 31, 2021 (2Q22)	3,632	-	383	>130%
October 31, 2021 (3Q22)	4,057	66%	427	>130%
January 31, 2022 (4Q22)	4,593	67%	492	>152%
April 30, 2022 (1Q23)	5,168	64%	545	>130%
July 31, 2022 (2Q23)	5,864	61%	593	>130%
October 31, 2022 (3Q23)	6,469	59%	638	>130%
January 31, 2023 (4Q23)	7,002	52%	697	133%
April 30, 2023 (1Q24)	7,406	43%	760	130%
July 31, 2023 (2Q24)	7,815	33%	810	129%
October 31, 2023 (3Q24)	8,175	26%	874	128%
January 31, 2024 (4Q24)	8,602	23%	995	130%
April 30, 2024 (1Q25)	8,976	21%	1,025	129%
July 31, 2024 (2Q25)	9,314	19%	1,076	126%
October 31, 2024 (3Q25)	9,519	16%	1,144	124%

141. DBNRR is a trailing 12-month metric that compares the Company’s total ARR derived from its customers over the last 12 months with the ARR from the same cohort of

customers during the prior 12-month period – including any upsells, price adjustments, user growth within a customer (*i.e.*, expansion), contraction, and attrition. The chart shows that GitLab’s declining revenue growth and DBNRR compression continued throughout FY 2025, thereby contradicting Defendants’ public statements (as discussed below in Section VI, *infra*) and providing evidence of intentional and/or reckless disregard as to the risk of misleading investors given Defendants’ awareness of its own internal metrics (as discussed below in Section VII., *infra*).

VI. DEFENDANTS’ MATERIALLY FALSE AND MISLEADING STATEMENTS

142. Throughout the Class Period, Defendants made false and misleading statements and/or failed to disclose material adverse facts about GitLab’s business, operations, and prospects. Specifically, Defendants misrepresented and/or failed to disclose to investors that: (1) GitLab’s AI features did not possess the capabilities expressed publicly; (2) the Company’s AI features had not been made widely available to customers when announced; (3) demand for AI integration throughout the software development lifecycle was weak due to security and data privacy concerns; (4) customer feedback regarding GitLab’s AI-powered features that were made available was largely negative; (5) customers did not see AI integration as a value add hindering expanded monetization opportunities; (6) GitLab was already experiencing significant slowed or stalled net seat expansion due to pricing sensitivity following the Premium price increase; and (7) as a result, declining expansion growth under the Premium tier, coupled with the slow customer adoption of GitLab’s AI-powered features and weak market demand for AI integration throughout the software development lifecycle, significantly reduced GitLab’s potential for revenue growth in FY 2025 under its ratable business model. When the truth underlying each of the false and misleading statements set forth below was revealed to the market, the price of GitLab securities plummeted.

June 5, 2023

143. On June 5, 2023, GitLab issued its earnings report for the three-month period ended April 30, 2023, the first quarter of fiscal year 2024 (“1Q24 Earnings Report”), filed with the SEC as Exhibit 99.1 to Form 8-K, signed by Defendant Robins.

144. The report provided GitLab’s “Business Highlights” which included, in pertinent part: “Announced AI-powered workflows in a single DevSecOps platform with the introduction

1 of Code Suggestions, AI-assisted vulnerability guidance, and Value Streams Dashboards to
2 improve developer productivity across every phase of the software development lifecycle.”

3 145. In the 1Q24 Earnings Report, Defendant Sijbrandij is quoted as saying, “With AI
4 revolutionizing how companies develop, secure, and operate software, we believe GitLab is
5 positioned as the leading AI-powered DevSecOps platform[.] ... Today, we deliver more AI-
6 powered capabilities to customers than any other DevSecOps platform.”

7 146. Defendant Robins is quoted as saying, “Against a backdrop of macroeconomic
8 uncertainty, customers are looking to our AI-powered DevSecOps platform to drive efficiencies,
9 increase productivity, and accelerate their pace of innovation. We are poised to make the most of
10 the estimated \$40B total addressable market opportunity before us.”

11 147. The statements identified above are false and/or materially misleading such that
12 Defendants created the false impression that they possessed reliable information pertaining to
13 GitLab’s ability to develop and incorporate AI throughout the software development lifecycle
14 thereby increasing market demand and making all levels of software development more affordable
15 and properly monetizing its AI-powered features. In truth, as corroborated by FE1, FE2, FE4, CW1
16 and CW2, GitLab’s AI features did not possess the capabilities expressed and had not been made
17 widely available to customers, GitLab’s customers did not see its AI-powered features as a value
18 add, and there was weak market demand for GitLab’s touted AI integration throughout the
19 software development lifecycle, as confirmed by CW1 and GitLab’s post-Class Period survey.

20 148. Later that day, GitLab held the 1Q24 Earnings Call, during which Defendant
21 Sijbrandij discussed the Company’s recent developments in AI-powered features and the impact
22 on GitLab’s total addressable market stating, in pertinent part:

23 AI represents a major shift for our industry. It fundamentally changes the way that
24 software is developed, and we believe it will accelerate our ability to help
25 organizations make software faster. I’m excited about this new wave of technology
26 innovation. We continue to focus on incorporating AI throughout our DevSecOps
27 platform. ***We’re innovating at a fast pace. In 1Q, we delivered 5 new AI features.
And in the first half of May alone, we delivered 5 additional features. All of these
are available to customers now, and we continue to iterate on Code Suggestions.
This feature allows developers to write code more efficiently by receiving code
suggestions as they type. Code Suggestions is available on gitlab.com for all users***

1 *while in beta. We expect Code Suggestions will be generally available later this*
2 *year.* One of the guiding principles with Code Suggestions is to make it available
and accessible to all developers everywhere.

3 *We also extended language support so that more developers can realize the*
4 *benefits of AI on our platform. In 1Q, we increased language support from the*
5 *initial 6 languages to now 13 languages.* Code Suggestions is uniquely built with
6 privacy first as a critical foundation. Our customers' proprietary source code never
7 leaves GitLab's cloud infrastructure. This means that their source code stays secure.
8 In addition, model output is not stored and not used as training data. *AI is not only*
9 *changing how software is developed, it's also amplifying the value of having a*
10 *DevSecOps platform.* DevSecOps is a category that we created, and we're seeing
it enter a mainstream adoption phase.

11 *****

12 *This quarter, we had many conversations with senior-level customers,* but one
13 with the CTO from a top 5 European bank really stands out. At first, we focused on
14 many of our differentiated features that only a DevSecOps platform can provide.
15 For example, we talked about the benefits of Value Stream Dashboards, DORA
16 metrics and compliance on a single platform. When the conversation moved into
17 AI, a CTO said something extremely interesting. He said code generation is only
18 one aspect of the development cycle. If we only optimize code generation,
19 everything else downstream from the development team, including QAs, security
and operations, breaks because these other teams involved in software development
can't keep up. This point, *incorporating AI throughout the software development*
life cycle is at the core of our AI strategy.

20 *Today, our customers have the ability to use Code Suggestions for code creation,*
21 *Suggested Reviewers for code review, Explain This Vulnerability for*
22 *vulnerability remediation, Value Stream Forecasting for predicting future team*
23 *efficiency and much more. We're proud to have 10 AI features available to*
24 *customers today, almost 3x more than the competition.*

25 *Applying AI to a single data store for a full software development life cycle also*
26 *creates compelling business outcomes. We believe that this is something that can*
27 *only be done with GitLab. We see a lot of excitement surrounding AI at the*
28 *executive level. We are hearing from customers that AI is motivating them to*
assess how they develop, secure and operate software through a new lens.
Enterprise-level companies who may not have been in the market until 2024,
2025, 2026 are reevaluating their strategies. On top of that, there's new personas
entering the mix. As chief information security officers navigate this new AI-
powered world, they are working to empower their teams to benefit from AI and
apply appropriate governance, security, compliance and auditability.

In all, we believe that AI will increase the total addressable market for several
reasons. First, AI will make writing code easier which, we believe, will expand the
audience of people, such as junior and citizen developers who build software.
Second, as these developers become more productive, we see software becoming

1 less expensive to create. We believe this will fuel demand for even more software.
 2 More developers will be needed to meet this additional demand. And third, *we*
 3 *expect customers will increasingly turn to GitLab as they build machine learning*
 4 *models and AI into their applications.* As we add ModelOps capabilities to our
 DevSecOps platform, this will invite data science teams as new personas, and we'll
 allow these teams to work alongside their Dev, Sec, and Ops counterparts. We see
 ModelOps as a big opportunity for GitLab.

5 *Expanding the addressable market will also create an opportunity to capture*
 6 *greater value. Later this year, we plan to introduce an AI add-on focused on*
 7 *supporting development teams. This new add-on will include Code Suggestions*
 8 *functionality. We anticipate this will be priced at \$9 per user per month billed*
 9 *annually. This add-on will be available later this year across all our tiers.* All of
 10 this innovation accentuates a broader theme for our business: the differentiation
 between a Dev and DevSecOps platform. We believe that an AI-powered platform
 focused solely on the developer persona is incomplete. It is missing essential
 security, operations and enterprise functionality.

11 *Remember, developers spend only a small fraction of their time developing code.*
 12 *The real promise of AI extends far beyond code creation. And this is where*
 13 *GitLab has a structural advantage.* We are the most comprehensive DevSecOps
 14 platform in the market. Features like Code Suggestions and Remote Development
 15 are important accelerants for developer efficiency. *And to date, GitLab has more*
 16 *AI features geared towards developers than our competitors.* However, that isn't
 enough. In order to achieve a 10x faster cycle time on projects, enterprises need an
 end-to-end platform that works across the entire software development life cycle.

17 *****

18 We also believe *we're in the early stages of capturing an estimated \$40 billion*
 19 *addressable market*, a market that we've seen evolve from point solutions to a
 20 platform, from DIY DevOps to a DevSecOps platform. *And AI will speed up*
 21 *different aspects of software creation and development. This, in turn, creates the*
 22 *need for a more robust security, compliance and planning capabilities. In today's*
 23 *era of rapid innovation, the power of a platform like GitLab to enable faster cycle*
 24 *times truly shines.*

25 (Emphasis added).

26 149. The statements identified above are false and/or materially misleading such that
 27 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
 28 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
 thereby increasing market demand and making all levels of software development more affordable
 and properly monetizing its AI features. In truth, as corroborated by FE1, FE2, FE4, CW1 and
 CW2, GitLab's AI features did not possess the capabilities expressed and had not been made

1 widely available to customers; GitLab's customers did not see its AI-powered features as a value
 2 add; and there was weak market demand for GitLab's touted AI integration throughout the
 3 software development lifecycle, as confirmed by CW1 and GitLab's post-Class Period survey.
 4 Likewise, when Defendant Sijbrandij chose to speak about positive interactions with customers
 5 about encompassing AI in every phase of the software development lifecycle, he had a duty to
 6 disclose that customer feedback regarding GitLab's AI-powered features had been largely negative,
 7 as corroborated by FE1.

8 150. During Defendant Robins' prepared remarks for the 1Q24 Earnings Call, he
 9 discussed the financial impact of GitLab's recently implemented Premium price increase, stating:

10 As we mentioned on the prior call, we raised the price of our Premium SKU for the
 11 first time in 5 years. Over that time frame, we added over 400 new features,
 12 transitioned from a Dev platform to a DevSecOps platform. We shared that we
 13 expected the Premium price increase to have minimum impact in FY '24 with
 14 greater impact in FY '25 and beyond. ***The price increase, which took effect on***
 15 ***April 3, is going as planned. We only had 1 month of renewals impacted by the***
 16 ***price increase in the quarter. To date, customer churn is unchanged for the***
 17 ***Premium customers who renewed in April, and our average ARR per customer***
 18 ***increased in line with our expectations.***

16 (Emphasis added).

17 151. The statements identified above are false and/or materially misleading such
 18 Defendant Robins created the false impression that he possessed reliable information pertaining to
 19 market acceptance of the Premium price increase thereby generating sustained revenue growth
 20 opportunities in FY 2025. In truth, GitLab was already experiencing pricing sensitivity following
 21 the Premium price increase, especially amongst SMB and mid-market customers, resulting in
 22 slowed or stalled net seat expansion and reducing the potential for revenue growth under the
 23 Company's ratable business model. Likewise, when Defendant Robins chose to positively promote
 24 the Company's renewals and customer churn, he had a duty to also disclose the negative impact
 25 the Premium price increase was having on GitLab's net seat expansion for existing customers.

1 152. During the question-and-answer segment of the 1Q24 Earnings Call, Defendant
 2 Sijbrandij was asked about GitLab's current AI capabilities and its AI-related revenue opportunities.

3 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
 4 Research Analyst> I'm curious to hear an update on customer conversations.
 5 Obviously, a stronger-than-expected quarter, but we are seeing this deceleration, I
 6 think, across all high-growth tech companies. So [I don't want to quote] gen AI in
 7 the macro, how should we think about pressure on net retention rates, customer
 8 acquisition that's coming from customers taking a more prudent approach in the
 current budgetary environment versus, I guess, rethinking needs for dev head count
 and reevaluating which dev tools to purchase just given all the gen AI innovations
 lately?

9 <A: Sytse Sijbrandij> Yes, lots of things to unpack in your question. We see the
 10 macro trends continuing, and that's putting pressure on seat count. That was the
 11 same last quarter, and we anticipate that trend to continue. At the same time, we're
 12 super excited of what the macro is doing to the mindset of customers, because they
 13 say, hey, now we – it's time to consolidate. And at the same time, we see that the
 14 analysts are seeing that, hey, this is consolidating as a market. So we believe that
 DevOps platform is going to be the way that people will consolidate. We have the
 most comprehensive DevSecOps platform, which is also great if you look at the
 application of AI.

15 *We're able to apply AI not just for Code Suggestions but apply it across the entire*
 16 *spectrum. We have more than 10 features that we were able to ship. And those 10*
 17 *features, they drive value at every part along the stage. And as for how that*
 18 *influences the TAM, which you alluded to, we think AI is going to make it easier*
 19 *for more people to enter the fray. So we think it was a supply of more people using*
 20 *the product.*

21 *At the same time, when you see that software development becomes easier, we*
 22 *believe there's going to be more demand for it. Software development used to be*
 23 *very expensive. AI makes it more affordable. There's going to be more demand.*
 24 *And more demand, again, means more people entering the fray.* And last but
 certainly not least, it's an opportunity for us to manage not just the code that
 companies have, but also their models. And that's what we do with our MLOps
 functionality. We already allow you to run experiments with GitLab. We want to
 extend to a full MLOps managed platform where we add the data engineers to the
 constituents that use GitLab.

25 ...

26 <Q: James Derrick Wood – TD Cowen – Analyst> And then just from a broader
 27 perspective, how you're thinking about the gen AI-related revenue opportunities in
 28 the quarters ahead?

<A: Sytse Sijbrandij> So we're really excited about our partnership with Oracle
 Cloud. They have a great customer base. *And what it means is that our customers*

1 *now can now run AI and ML workloads on GPU-enabled GitLab Runners on the*
 2 *Oracle Cloud Infrastructure, and that's a great powerful infrastructure.*
 3 *Additionally, we're available in Oracle's marketplace, expanding our*
 4 *distribution.*

5 ...

6 <Q: Kasthuri Gopalan Rangan – Goldman Sachs – Analyst> I had a question on the
 7 generative AI capabilities. At what point are we looking to -- is there any need for
 8 further differentiation of GitLab versus the competition? This auto code generation
 9 feature that has been made much off, right, is that a real sticking point in
 10 conversations? Do you think the customer base really values and appreciates the
 11 broader set of AI capabilities that GitLab has to offer?

12 <A: Sytse Sijbrandij> So *we're really fortunate that we have a single application,*
 13 *a single data store for the entire DevSecOps cycle, and we can apply AI to all of*
 14 *them. And that's led us to having 3x as many publicly usable AI features as our*
 15 *competition. That is a big advantage.* As long as at the beginning that, of course,
 16 you also need the code suggestions. But having the whole rest make sure that if you
 17 get more effective there, it works, and you get a faster cycle time throughout, and
 18 that's a really exciting development.

19 ...

20 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 21 One of the questions that we get [] from investors the most is, does gen AI put
 22 pressure on developers -- I think you talked about a little bit in your prepared
 23 remarks. But maybe could you put a finer point on sort of the question of P times
 24 Q. And does the number of seats go down in the future? Or do you think it stays
 25 consistent or maybe even goes up?

26 <A: Sytse Sijbrandij> *Yes. The -- we believe that generative AI will expand the*
 27 *market. So first of all, you make the product easier. Like coding today is hard,*
 28 *and AI makes it easier. So we expect the citizen developers, these junior*
 29 *developers to start coding. That code needs to be managed somewhere. And that*
 30 *is in GitLab.*

31 *****

32 *One other way to look at it is you have generative AI. It produces more code. All*
 33 *that codes also needs to be secured, also need to put in operations. So if you don't*
 34 *have a good DevSecOps platform, you create a bottleneck at the beginning. That*
 35 *bottleneck is solved with the DevSecOps platform.*

36 (Emphasis added).

37 153. During the question-and-answer segment, analyst Karl Emil Keirstead of UBS
 38 asked Defendant Robins if the \$9 per seat monetization plan relating to GitLab's AI-features
 "could [] accelerate a free-to-paid conversion?" To which Defendant Robins responded by saying,

1 “I think that all that we’re doing is to make the developer, the security and operations personas
2 more efficient and to allow, make code better, faster, cheaper, more secure. And so I think anything
3 that you do that enables that should help out on all the metrics that you track and model.”

4 154. The statements identified above are false and/or materially misleading such that
5 Defendants created the false impression that they possessed reliable information pertaining to
6 GitLab’s ability to develop and incorporate AI throughout the software development lifecycle
7 thereby increasing market demand and making all levels of software development more affordable
8 and properly monetizing its AI features. In truth, as corroborated by FE1, FE2, FE4, CW1 and
9 CW2, GitLab’s AI features did not possess the capabilities expressed and had not been made
10 widely available to customers, GitLab’s customers did not see its AI-powered features as a value
11 add, and there was weak market demand for GitLab’s touted AI integration throughout the
12 software development lifecycle, as confirmed by CW1 and GitLab’s post-Class Period survey.

13 155. During the question-and-answer segment of the call, Defendant Robins was asked
14 to further expand on the impact of the Premium price increase during the quarter.

15 <Q: Peter Sterling Auty MoffettNathanson LLC – Senior Managing Director of
16 Software> Brian, just to -- and Sid, just another follow-up question just on the
17 pricing. So you touched upon it, but I want to make sure to put a fine point here.
18 Did it have any impact on win rates or length of deals where maybe customers were
19 asking and negotiating a little bit harder because of the price increase? Or anything
20 in terms of size of initial lands that may have been impacted because of the price
21 increase? And if not, does that actually change when you think some of the benefits
22 of the pricing increase will actually flow through the revenue line?

23 <A: Brian G. Robbins> Yes. Thanks for that, Sterling. I guess for everyone on the
24 call, let me just briefly touch on the price increase. We haven’t raised prices in 5
25 years. And over that time period, we added 400 new features to the platform. And
26 so that was the genesis of the price increase. The guidance we gave last quarter and
27 today include the price increase. ***As you know, the price was effective in early April.
And so we really only had a short period of less than a month for that. But I am
happy to say that the renewal rates and the churn and the land of new customers
have been better than expected.*** And so we’re happy with the results that we’ve
28 seen in just that 1 month time period.

(Emphasis added).

156. The statements identified above are false and/or materially misleading because
when Defendant Robins chose to positively promote the Company’s renewal rates, churn, and new

customer bookings, he had a duty to also disclose the negative impact the Premium price increase was having on GitLab's primary revenue driver – net seat expansion for existing customers. GitLab was already experiencing pricing sensitivity, especially amongst SMB and mid-market customers, resulting in slowed or stalled net seat expansion and reducing the potential for revenue growth under the Company's ratable business model.

157. During the question-and-answer segment, Defendant Robins was asked about the mix between Ultimate and Premium subscriptions.

<Q: Nicholas William Altmann Scotiabank Global Banking and Markets, Research Division – Analyst> Just a follow-up on Matt's question on the Ultimate mix ticking up. It sounds like some of the strength there was driven from a business that was up for renewal in a smaller price point delta between Premium, Ultimate, and it also sounds like there was some strength there just on net new customers landing at Ultimate. But I'm just curious given there's more renewal businesses sort of we progressed through 2Q in the second half, should we expect the Ultimate mix to continue to uptick here?

<A: Brian G. Robbins> As we said before, and I think it's worth saying again, we don't compensate the sales team to sell Ultimate versus Premium. And so that is an output and not something that we're solving for. We want to deliver the best solution for the customer and get them a quick time to value and a positive business outcome. And so Ultimate had strength in the quarter. It's really driven by compliance, security and all the additional product features that Ultimate has. ***When you go through and look at Ultimate and look at expansion, first orders and so forth, Ultimate performed well in a lot of the categories as expected. And so where we saw some pockets of weakness was really in Premium on expansion of our existing clients*** as well as the contraction. Churn was relatively low, but we still saw some contraction as well. And so like I said, Ultimate had a good quarter. ***There was some pockets of weakness in Premium, I'll call them watch points that we continue to watch.*** But overall, happy with what we delivered.

(Emphasis added).

158. The statements identified above are false and/or materially misleading because Defendant Robins omitted material adverse information relating to customer pricing sensitivity following the Premium price increase. When discussing "pockets of weakness in Premium," Defendant Robins failed to disclose that the slowed or stalled net seat expansion of existing customers stemmed from the Premium price increase and significantly increased the risk of lower-than-expected revenue growth in FY 2025 under the Company's ratable business model.

September 5, 2023

159. On September 5, 2023, GitLab issued its earnings report for the three-month period ended July 31, 2023, the second quarter of fiscal year 2024 (“2Q24 Earnings Report”), filed with the SEC as Exhibit 99.1 to Form 8-K, signed by Defendant Robins.

160. In the 2Q24 Earnings Report, Defendant Sijbrandij is quoted as saying, ““GitLab’s strong quarter is a result of our focus on creating a differentiated and innovative DevSecOps platform and executing on a strong go-to-market motion[.] ...We believe that our rapid pace of product innovation and strong customer demand position us to capture a greater share of the estimated \$40 billion total addressable market opportunity.””

161. Later that day, GitLab held an investor conference call to discuss its financial results for the second quarter of fiscal year 2024 (“2Q24 Earnings Call”). During the 2Q24 Earnings Call, Defendant Sijbrandij once again touted GitLab’s AI-powered capabilities and potential to drive in revenue stating, in pertinent part:

AI continues to be a key area of product innovation. *We are developing AI-powered capabilities across the entire software development life cycle. Let me share just a few of these capabilities. Code Suggestions uses generative AI to suggest code to developers. Suggested Reviewers leverages AI to identify the most appropriate reviewers of code. Explaining This Vulnerability provides details about potential security vulnerabilities in code.* And Code Suggestions remains on track to be generally available later this year. *We differentiate our approach to AI in several ways. We have a commitment to privacy and transparency in our use of AI, and we also deliver AI throughout the entire software development life cycle.*

The second topic I want to discuss is how we intend to capture the large DevSecOps market opportunity with a strong go-to-market motion. Strategic partnerships are an important part of our go-to-market execution and I would like to highlight Google Cloud and AWS as 2 of the most significant.

GitLab and Google Cloud are strongly committed to delivering secure enterprise AI offerings across the software development life cycle. We are thrilled to be working with Google Cloud on delivering our vision of AI-powered workflows. We are leveraging [PON2] foundational models, including the new coding model family to deliver new AI-powered experiences to all users involved in creating secure software.

Our partnership with Google extends even further. At this year’s Google Cloud Next, we announced our plans to integrate GitLab into the Google Cloud console.

1 GitLab also received the 2023 Google Cloud Partner of the Year Award for the
2 third consecutive year. Google recognized GitLab for our achievements in
application development within the Google Cloud ecosystem.

3 Another key partner is AWS. In Q2, AWS introduced support for GitLab in AWS
4 code pipeline. This is a fully managed continuous integration and continuous
5 delivery service. This new AWS capability allows developers to leverage their
gitlab.com source code repository to build, test and deploy co-changes with AWS
code pipeline.

6 *****

7 In closing, *I'm pleased with our second quarter results. They demonstrate*
8 *continued momentum and solidify our category leadership. With our recent*
9 *analyst and customer validation, we are well positioned to win in the estimated*
10 *\$40 billion market opportunity. I'd like to thank our customers for trusting*
GitLab. And I'd also like to thank our team members, partners and the wider GitLab
community for their contributions this quarter.

11 (Emphasis added).

12 162. The statements identified above are false and/or materially misleading such that
13 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
14 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
15 thereby increasing market demand and making all levels of software development more affordable
16 and properly monetizing its AI-powered features. In truth, as corroborated by FE1, FE2, FE4, CW1
17 and CW2, GitLab's AI features did not possess the capabilities expressed and had not been made
18 widely available to customers, GitLab's customers did not see its AI-powered features as a value
19 add, and there was weak market demand for GitLab's touted AI integration throughout the
20 software development lifecycle, as confirmed by CW1 and GitLab's post-Class Period survey.

21 163. On the same call, Defendant Robins discussed the impact of GitLab's Premium
22 price increase during the quarter, reinforcing greater impact to come in FY 2025.

23 I'm very happy with our key metrics in Q2 and that our revenue grew 38% year-
24 over-year. I'd like to emphasize it's point about driving responsible growth as we
25 achieved over 2,300 basis points of non-GAAP operating margin expansion. We
26 continue to find ways to become more efficient while scaling the business to
address our large market opportunity.

27 We also continue to make target investments in key product areas. These include
28 security, compliance, AI and agile planning. *Part of our responsible growth*
strategy is to continue to optimize our pricing and packaging. In April of this year,
we raised the price of our premium SKU for the first time in 5 years. Over that

time frame, we added over 400 new features. *We believe this better aligns price with value for our customers* and the investment we made over the past 5 years.

In the first 4 months post launch, customer behavior was in line with our expectations. As a reminder, we anticipate minimal impact to our financials from this change in the current year. We expect the price increase to have a much larger impact in FY '25 and beyond.

Looking back at the quarter. I want to touch on customer buying patterns, contraction and Ultimate trends. First, *customer purchasing behavior in Q2 was consistent with Q1 of FY '24. We believe buying patterns appear to have stabilized.* Second, contraction was lower than Q1 of FY '24 and appears to be stabilizing. Third, Ultimate, our top tier continues to see strong adoption driven by customer wins for security and compliance use cases.

(Emphasis added).

164. Defendant Robins went on to reiterate the long-term positive impact of the Premium price increase and GitLab's plans to monetize its AI features.

We remain on track to achieve free cash flow breakeven for FY '25. *There are a number of drivers we are introducing that we believe should help fuel our business in FY '25. I touched on the first one earlier, which is the price increase in our premium tier.* Additionally, in Q2, we started enforcing user limits on our free SaaS tier. It's early, but we have seen additional free users upgrade to premium. The third driver is the launch of Dedicated. This allows us to address new opportunity for companies with complex security and compliance requirements. *Finally, we plan to monetize our AI capabilities by launching an add-on that will include code suggestions functionality later this year.*

(Emphasis added.)

165. The statements identified above are false and/or materially misleading such that Defendant Robins created the false impression that he possessed reliable information pertaining to: (1) market acceptance of the Company's Premium price increase; and (2) GitLab's ability to develop and incorporate AI throughout the software development lifecycle thereby increasing market demand and making all levels of software development more affordable and properly monetizing its AI-powered features; thereby generating sustained revenue growth opportunities in FY 2025. In truth, as corroborated by FE1, FE2, FE4, CW1 and CW2, GitLab's AI features did not possess the capabilities publicly touted by Defendants and general deployment of the touted AI-powered features amongst customers was delayed; feedback from customers who had engaged with the Company's AI-powered features was largely negative; GitLab's customers did not see its

1 AI-powered features as a value add; and there was weak market demand for GitLab's touted AI
 2 integration throughout the software development lifecycle, as confirmed by CW1 and GitLab post-
 3 Class Period survey. In addition, GitLab was already experiencing pricing sensitivity following
 4 the Premium price increase, especially amongst SMB and mid-market customers, resulting in
 5 slowed or stalled net seat expansion and reducing the potential for revenue growth under the
 6 Company's ratable business model.

7 166. During the question-and-answer segment, Defendant Robins was asked about
 8 customer behavior following the Premium price increase.

9 <Q: William Fitzsimmons Moffett Nathanson LLC – Senior Associate> Obviously,
 10 earlier this year, you announced a price increase in the way that's structured a lot
 11 of that won't be felt until fiscal 2025 and 2026. But now that it's been several
 12 months, can you maybe give us an update on kind of what you're seeing and hearing
 13 from customers on the price increase, retention trends and stuff like that?

14 <A: Brian G. Robins> And on the price increase, last quarter when we had our call,
 15 we only had a month of data. So happy to say we have 3 months of data this quarter.
 16 And I'm happy with the results. ***It's been in line to slightly above our expectations.***
 17 As a reminder, we implemented the price increase because we put 400 new features
 18 in the platform, and we wanted that to match the value that we are providing to our
 19 customer. And so the guidance that we provided for this quarter as well as the full
 20 year includes that impact. When we went -- ***when we announced the price increase,***
 21 ***we talked about just due to the ratable nature of the revenue and renewals coming***
 22 ***up through the year. There would be very little impact in FY 2024 and the***
 23 ***majority of the impact would come in FY 2025 with all the impact realized in the***
 24 ***year of FY 2026.***

25 ...

26 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 27 Brian, your comment was customer behavior and the premium price increases in
 28 line with expectations. I just wanted to double click on that a bit. What does that
 mean? Does that mean that they're just – they're effectively taking the price increase?
 Are you seeing any -- I know it's not a factor, but typically that you've talked about,
 but are any moving to Ultimate? Just maybe a little bit more color on what in line
 with your expectations means?

<A: Brian G. Robbins> Yes. Absolutely, Matt. When we did the price increase, we
 did an internal model that looked at bookings, churn, and we came up with what
 we thought our forecast would be on the overall net bookings. ***And so I would say***
overall bookings is more positive than our internal forecast and churn is less.
And so we're seeing positive signs on every element of how we modeled it from a
bookings and churn perspective.

...

<Q: Michael Joseph Cikos Needham & Company, LLC, Research Division – Senior Analyst> I just wanted to make sure I’m kicking the tires here. I know you’re talking in some of your comments to Matt that, hey, net bookings are slightly more positive. Churn is slightly below what you guys had forecast, which is great. But to be clear, like has there been any change as far as your assumption from this price increase to the guide? And can you remind us again, what is the benefit that you are including for this year’s guidance when we think about the benefit from that price increase?

<A: Brian G. Robbins> No, absolutely. Thanks, Mike. There’s been – it’s included in our guidance. And when you walk through the ratable nature of the revenue, it’s very little impact this year. *So where we are doing better than expected on the way that we modeled it internally from a bookings and churn perspective it doesn’t have really any meaningful financial impact this year. We’ll get the majority of the impact next year and then a little the following year.*

(Emphasis added).

167. The statements identified above are false and/or materially misleading such Defendant Robins created the false impression that he possessed reliable information pertaining to market acceptance of the Premium price increase thereby generating sustained revenue growth opportunities in FY 2025. In truth, GitLab was already experiencing pricing sensitivity following the Premium price increase, especially amongst SMB and mid-market customers, resulting in slowed or stalled net seat expansion and reducing the potential for revenue growth under the Company’s ratable business model. Likewise, when Defendant Robins chose to positively promote the Company’s bookings and customer churn, he had a duty to also disclose the negative impact the Premium price increase was having on GitLab’s primary revenue driver – net seat expansion for existing customers.

168. During the question-and-answer segment, Defendant Sijbrani was asked about customer feedback as to GitLab’s AI capabilities and its potential to drive revenue growth.

<Q: William Fitzsimmons Moffett Nathanson LLC – Senior Analyst> Obviously, a few months ago, the firm held discussion with investors to talk through the generative AI-based products and then you gave us an update on Duo in AI in the prepared remarks. But maybe double-clicking and going a little deeper, and I can’t imagine we’re still in the early innings here. But curious if you could talk through kind of early customer feedback on these products’ adoption trends, what you’re hearing and seeing?

1 <A: Sytse Sijbrandij> Yes. Thanks for the question. ***And the early feedback to Duo***
 2 ***has been very positive. Customers get that they need AI features, not just for***
 3 ***example, coding, but they need them throughout the DevOps life cycle.*** And we've
 4 just published a report actually, we're publishing it today, the state of DevOps. And
 5 even for developers, which is only kind of 1/3 of a DevSecOps platform, only 25%
 6 of their time is spent coding, 75% of their time is elsewhere. So it's really important
 7 to have a set of features throughout the life cycle. We're really happy that we have
 8 10 features out there already. And some of the oldest feature we have Suggested
 9 Reviewers has over 100,000 users today. So we're excited about progressing that
 10 further. ***And it's great to see that customers recognize that they need a suite of AI***
 11 ***features, and therefore, we're excited about Duo.***

12 ...

13 <Q: Ryan Patrick MacWilliams Barclays Bank PLC, Research Division – Research
 14 Analyst> For Sid, for those customers who are evaluating adding large language
 15 model features to their DevOps platform today, are they still mostly focused on
 16 code suggestions? Or is there increasingly other considerations at play as these
 17 customers get smarter and more in the leads on AI?

18 <A: Sytse Sijbrandij> Yes. I think as customers get more sophisticated, they're
 19 seeing that AI should be throughout the life cycle. As mentioned earlier in this call,
 20 like it's DevSec and Ops, like you need those AI features too to make security more
 21 efficient. If you just produce more co, that's not going to do it. And of those
 22 developers producing more co, that's not the only thing they need.

23 ***So as customers get more sophisticated, they want more AI features, and we're***
 24 ***really happy that we have 10 features out already.*** The second thing they want is
 25 good guarantees of privacy that their intellectual property is never going to be used
 26 to enhance other people their platform, their intellectual property. ***So I think in***
 27 ***both, we have a really compelling story.***

28 ...

<Q: Pinjalim Bora JPMorgan Chase & Co, Research Division – Analyst> Great.
 Congrats on the quarter. I wanted to ask you on Ultimate. As existing premium
 customers kind of look to pay the higher price, are you seeing some of the
 conversations lead to kind of upgrading to Ultimate, especially as you have to get
 people and flow in some of the AI capabilities as well like suggested reviewers.
 Are those conversations from premium customers looking to upgrade starting to
 happen more?

<A: Sytse Sijbrandij> Yes, whatever we expect is baked into our guidance, but
we're seeing that it is a reason for people to reevaluate which tier am I going to
be on. And we're seeing Ultimate being more and more top of mind for people.
 We haven't decided on the packaging of the AI features yet. So although AI is a
 significant part of the conversation, it's not driving Ultimate per se because we're
 still working on our packaging for the AI features.

(Emphasis added).

169. The statements identified above are false and/or materially misleading such that Defendant Sijbrandij created the false impression that he possessed reliable information pertaining to GitLab's ability to develop and incorporate AI throughout the software development lifecycle thereby increasing market demand and making all levels of software development more affordable and properly monetizing its AI-powered features. In truth, as corroborated by FE1, FE2, FE4, CW1 and CW2, GitLab's AI features did not possess the capabilities publicly touted by Defendants and general deployment of the touted AI-powered features amongst customers was delayed; feedback from customers who had engaged with the Company's AI-powered features was largely negative; GitLab's customers did not see its AI-powered features as a value add; and there was weak market demand for GitLab's touted AI integration throughout the software development lifecycle, as confirmed by CW1 and GitLab's post-Class Period survey.

170. During the same call, Defendant Robins was asked about customer buying behavior and key metrics impacting the Company's Dollar-Based Net Retention Rate (DBNRR).

<Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior Research Analyst> Brian, I just wanted to touch on the macro a little bit more. I appreciate the commentary and noting that NRR contracted again a little bit sequentially. So any guideposts you can put or rails around where that might go? I think you gave us a lot of indications around stabilization with behavior being consistent, some of the other metrics that you threw out. So just want to understand maybe where that NRR might bottom?

<A: Brian G. Robbins> So as I mentioned earlier, we did see some stabilization in Q2 over Q1. Customers are still buying what they need. And so the fact that last year, they're buying a lot more. In this year, they're just buying what they need is why you're seeing a slight drop in the net dollar retention rate. I am happy to say that every year since we've launched is still expanding. And so customers are still buying more year-over-year than what they've bought historically. ***When you look at sort of – I've talked about historically that the watch point in the business was around contraction, and that was primarily contraction expansion primarily in our premium seats. I'm happy this quarter, we actually had a very good expansion quarter. Contraction has leveled out, and churn has always been much smaller. But both of those are reflected in the guidance going forward.***

We didn't give out sort of what a target number is or where we think it will bottom out. If you look in the business, though, contraction started late in fourth quarter of last year. ***And so we're about 3 quarters into this. Average contract length is a little over 14 months. So I expect we have another quarter, 1.5 quarters to go until we work through the cycle of the new buying patterns.***

(Emphasis added).

171. The statements identified above are false and/or materially misleading because Defendant Robins omitted material adverse information relating to customer pricing sensitivity following the Premium price increase, negatively impacting customer buying behavior, and failed to disclose that the slowed or stalled net seat expansion of existing customers experienced during 1Q24 and 2Q24 stemmed from the Premium price increase and under the Company's ratable business model, significantly increased the risk of DBNRR contraction in FY 2025.

September 7, 2023

172. On September 7, 2023, GitLab presented at the Goldman Sachs Communacopia & Technology Conference. During the conference, Defendant Sijbrandij was asked about his "goals for the company in the next 5 years" and what he "want[s] the company to look like," to which he responded by saying: "***We see a future where we're going to be best-in-class in every part of the DevSecOps' lifecycle. So being able to replace every point solution that customers are currently using with something better***, but also be able to host the data and the models that are essential to tomorrow's applications. We want to be a single software platform for all of R&D" (emphasis added). As a follow-up, Sijbrandij was asked about the process for achieving those said goals.

<Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division – Head of Software Coverage> And what does that -- so the point solutions that are not doing a good job today, how do you visualize the friction-free in this perfect world where somebody is on GitLab? What does that process look -- what does their day look like relative to the day-to-day?

<A: Sytse Sijbrandij> So if you weren't using GitLab, you'd be hopping from Jira to GitHub to Jenkins, to Checkmarx, to Harness, you'd be hopping between all these different applications. ***And we see that if people move to GitLab, they get a 7x improvement in cycle time. They're able to go through the process 7x faster, which is an amazing win.*** That's due to a single interface, a single data store, really streamlining that process.

(Emphasis added).

173. The statements identified above are false and/or materially misleading because Defendant Sijbrandij created the false impression that he possessed reliable information pertaining to GitLab's ability to develop competitive product offerings and incorporate such offerings

1 throughout the software development lifecycle thereby increasing market demand for GitLab's
 2 platform. In truth, as corroborated by FE4, CW1, and CW2, GitLab had not intended to, nor did it,
 3 develop AI-powered features competitive to GitHub Copilot, and the Company's focus on speed
 4 throughout the entire software development process came at a cost of accuracy and productivity,
 5 resulting in an inferior and undesirable product offering.

6 174. During the conference, Defendant Sijbrandij was asked about customer buying
 7 behavior and key metrics impacting the Company's DBNRR.

8 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 9 Head of Software Coverage> I'm curious, the big return on investment. And -- the
 10 -- I know you were early on to flag the macroeconomic concerns. But just to get
 11 the -- that part of the story out -- I mean it's a secular aspect in this cyclical aspect.
 12 This cyclical aspect everybody is going through what they're going through. Where
 13 are we -- are we done with the bottoming of all the metrics, the net expansion rate
 14 coming under pressure because of attrition, lack of expansion within your customer
 15 base? Where are we in that cycle?

16 <A: Sytse Sijbrandij> Yes. We've announced earnings on Tuesday, and we said we
 17 see a stabilization. Q2 was very similar to Q1. And all of these metrics are now
 18 stabilizing the gross retention number for GitLab. It's a trailing metric over 12
 19 months, but we're getting to the point next quarter, we'll be 1 year in and then that
 20 should stabilize as well.

21 175. The statements identified above are false and/or materially misleading because
 22 Defendant Sijbrandij omitted material adverse information relating to customer pricing sensitivity
 23 following the Premium price increase, negatively impacting customer buying behavior, and failed
 24 to disclose that the slowed or stalled net seat expansion of existing customers experienced during
 25 1Q24 and 2Q24 stemmed from the Premium price increase and under the Company's ratable
 26 business model, significantly increased the risk of DBNRR contraction in FY 2025.

27 176. During the conference, Defendant Sijbrandij was asked about the Company's key
 28 drivers of revenue growth in FY 2025.

<Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 Head of Software Coverage> So as you talk to customers, and I've asked this
 question of every other CEO who is -- who have gone through probably 21, 22
 CEOs and 5 CFOs. And I'll share with you what I've heard so far. But as you talk
 to customers, what are they saying about calendar '24?

1 <A: Sytse Sijbrandij> I think everyone's cautious. We're looking forward to the
 2 next year. And we'll see some of the price increase effect to kick in. We've got a
 3 new product called GitLab Dedicated, which is a single-tenant SaaS offering that's
 4 super interesting for customers that want to have their own thing on their own
 5 private cloud that still want us to run the product. So we'll see the effects of AI KK
 6 more. We have 10 features now available to customers, but we'll be selling those.
 7 So we're looking forward towards next year, but if I could predict the macro
 8 economy, I probably wouldn't be a software CEO.

9 ...

10 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 11 Head of Software Coverage> So the code generation feature once you get access to
 12 it, are you able to like GitHub copilot is whatever, x dollars, right? Are you able to
 13 charge a separate SKU or charge a premium?

14 <A: Sytse Sijbrandij> Yes. We announced in earnings that it will be a separate SKU,
 15 and it will be priced at \$9 at the beginning.

16 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 17 Head of Software Coverage> That was sort of the expectation that was said before
 18 you or you already talked about it, right? So are you -- how comfortable are you
 19 that, that price will stick, that people will pay maybe you can ask for more?

20 <A: Sytse Sijbrandij> Maybe you can ask for more. Maybe the costs are higher.
 21 Like it's very early, like things like inference costs are changing really, really
 22 rapidly. So it's hard to get that exactly right. The value creation is also -- generates
 23 a ton of code, but what is the value you can charge for it. And it's -- that's all going
 24 to be very interesting.

25 177. The statements identified above are false and/or materially misleading such that
 26 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
 27 to: (1) market acceptance of the Company's Premium price increase; and (2) GitLab's ability to
 28 develop and incorporate AI throughout the software development lifecycle thereby increasing
 market demand and making all levels of software development more affordable and properly
 monetizing its AI-powered features; thereby generating sustained revenue growth opportunities in
 FY 2025. In truth, as corroborated by FE1, FE2, FE4, CW1 and CW2, GitLab's AI features did
 not possess the capabilities publicly touted by Defendants and general deployment of the touted
 AI-powered features was delayed; feedback from customers who had engaged with the Company's
 AI-powered features was largely negative; GitLab's customers did not see its AI-powered features
 as a value add; and there was weak market demand for GitLab's touted AI integration throughout
 the software development lifecycle, as confirmed by CW1 and GitLab's post-Class Period survey.

1 In addition, GitLab was already experiencing pricing sensitivity following the Premium price
2 increase, especially amongst SMB and mid-market customers, resulting in slowed or stalled net
3 seat expansion. As a result, declining expansion growth under the Premium tier, coupled with slow
4 customer adoption of GitLab's AI-powered features and weak market demand for AI integration
5 throughout the software development lifecycle, significantly reduced GitLab's potential for
6 revenue growth in FY 2025 under its ratable business model.

7 178. During the conference, Sijbrandij was asked about GitLab's AI capabilities.

8 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
9 Head of Software Coverage> So, when we look at the competitive environment,
10 there is a quick tendency to conclude that Git[Hub] copilot has had tremendous
11 impact, which it clearly has. How do you look at that cogeneration single trick
12 which is an effective trick. Does that change the competitive landscape for you guys?
13 Have you seen any changes at all evaluation, et cetera? I want to hear the answer to
14 that, and then I have another question about your own cogeneration feature, which
15 we've been expecting for quite some time.

16 <A: Sytse Sijbrandij> Cool. Yes. We'll talk about that next. I think cogeneration is
17 important. We'll talk about our feature there. First, I think to give some context, we
18 just released the State of DevOps report on Tuesday. And often people in the
19 DevSecOps process, about half are developers, but they spend only 25% of their
20 time coding. So if you make more effective, that's helpful. And it's also super
21 helpful to help them with the other 75% of their time. And you've got to make the
22 security and operations people also more effective.

23 Otherwise, you're going to get bottlenecked. So it's not just generating more code.
24 For example, we have a feature -- an AI feature called suggested reviewers. It
25 suggests the best reviewer for your code because most of the time that it takes to
26 get something out to market, it's not time spent coding behind the keyboard, but
27 waiting for the right -- to find the right person to review your code. So we now have
28 10 AI features usable by customers today, 3x more than the competition, and they
help throughout that life cycle, and that's super important to get the overall
efficiency up.

...

<Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
Head of Software Coverage> ... You got one big company, Microsoft that is getting
a lot of attention, which deservedly so within this. This is the partnership that -- the
other side of it has not been seen yet, the competitive response.

<A: Sytse Sijbrandij> I think we're super excited about our partnerships. And it's
not Google, for example, AWS just released an integration for GitLab with their co
pipeline products. So I think as GitHub has more and more Azure-only features,
the other hyperscalers are getting closer to us, which is great.

1 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 2 Head of Software Coverage> And so it's not like there is pent-up demand for code
 generations. That is only 25% of what the developer does, right?

3 <A: Sytse Sijbrandij> Yes. And it's an important part, and it's something where AI
 4 can help tremendously. We're super excited. We have Code Suggestions out in beta.
 We'll make it generally available later this year.

5 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 6 Head of Software Coverage> Tell us about the other AI features that you have that
 the competition does not have. And what is it that Wall Street needs to know and
 7 people like me and Gilly need to know that. That there -- this is the AI story of
 GitLab, that has not been told. What is that AI story?

8 <A: Sytse Sijbrandij> Yes. So there's 10. I'm not going to go into all of them, we've
 9 talked about Code Suggestions, we talked about Suggested Reviewers. Another one
 is Explain This Vulnerability because -- the software is really good at saying, oh,
 10 these are the vulnerabilities we found. But then what's the next step? And AI can
 11 help you there give you context and see whether it applies to you.

12 179. The statements identified above are false and/or materially misleading such that
 13 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
 14 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
 15 thereby increasing market demand and making all levels of software development more affordable
 16 and properly monetizing its AI-powered features. In truth, as corroborated by FE1, FE2, FE4, CW1
 17 and CW2, GitLab's AI features did not possess the capabilities expressed and general deployment
 18 of the touted AI-powered features amongst customers was delayed; GitLab's customers did not
 19 see its AI-powered features as a value add; and there was weak market demand for GitLab's touted
 20 AI integration throughout the software development lifecycle, as confirmed by CW1 and GitLab's
 21 post-Class Period survey.

22 180. Defendant Sijbrandij was also asked about the Company's recent Premium price
 23 increase and its strategy on pricing.

24 <Q: Federico Gilly Goldman Sachs Group, Inc., Research Division – Analyst> Yes.
 25 And so that does bring us to pricing and you guys released at GitLab 16, you guys
 really GitLab Duo. And you also recently did a price increase. Can you tell us a
 26 little bit about how you think your overall strategy for pricing? And then also how
 that manifest itself with a lot of the new generative AI tools?

27 <A: Sytse Sijbrandij> Yes. So in April, we did a price increase for GitLab premium
 28 from \$19 to \$29. And it's been 5 years since we changed the pricing. In that time,

1 more than 400 new features came out that add a lot of value and allowed our
 2 customers to replace more point solutions. So we want to make sure we always
 3 generate more value than we captured, but it was the time to raise the price, and
 4 that's going to have an effect over a long time because contracts got to come up for
 renewal typically 12 months or more. Then there's the ratable nature of our revenue,
 and there's some – there's a legacy pricing for the existing customers.

5 181. The statements identified above are false and/or materially misleading such that
 6 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
 7 to market acceptance of the Premium price increase and GitLab's ability to properly monetize its
 8 AI-powered features. As corroborated by FE4 and CW1, GitLab developed its AI-powered
 9 features for a limited pool of customers in the enterprise and public sectors, customers with high
 10 data and privacy concerns, that were only accessible through a cloud environment or in limited
 11 form via the Internet. As corroborated by FE4, CW1 and CW2, GitLab had not intended to, nor
 12 did it, develop competitive AI-powered features, rather the Company's focus on speed throughout
 13 the entire software development process came at a cost of accuracy and productivity, resulting in
 14 an inferior and undesirable product line. As corroborated by FE1, GitLab's customers did not see
 15 its AI-powered features as a value add, and as a result, the Company was already experiencing
 16 pricing sensitivity following the Premium price increase, especially amongst SMB and mid-market
 17 customers, resulting in slowed or stalled net seat expansion and reducing the potential for revenue
 18 growth under the Company's ratable business model.

19 September 12, 2023

20 182. On September 12, 2023, GitLab presented at the Piper Sandler Growth Frontiers
 21 Conference. During the conference, Defendant Robins was asked about the Company's AI
 22 capabilities and its potential to drive revenue growth.

23 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
 24 Research Analyst> What's your impact on this say. I think, obviously, the streets
 25 perception has changed that we're not going to asymptotically approach 1
 26 developer, right? It's not going to kill developments and that there is the more is
 27 more proposition, more is more is more proposition, I should say. To your business,
 28 you're going to release something either at the end of Q3, which is coming up or
 sometime in Q4. So between the next 20 and 110 days, I guess, you'll have a
 product in the market at \$9 a month. How did you choose the pricing? Do you think
 you're effectively monetizing that? And what could this do to that free open source

1 base that you have out there? Because it feels like there's a massive opportunity to
2 go after the estimated 90% of seats that are using kind of a free-ish version?

3 <A: Brian G. Robbins> Yes. So GitLabs pricing, the way that we price our product
4 historically has been per seat per month. And so we had Ultimate and Premium,
5 which you pay per seat per month. Everybody in the company has to be on the same
6 tier, then we have the free version. And we have steered away from consumption.
7 And we actually don't price differently between SaaS and self-manage even though
8 SaaS is a little bit more expensive to deliver. We wanted to move the friction out
9 of the selling and buying process to allow people to choose what they want. We
10 want time to value and business outcomes for our customers. And so as we're
11 thinking about the code suggestions and how to price that, we wanted to price it on
12 a per user per month basis, but we didn't want to make you have to buy that with
13 your sort of. ... Core product. And so you can buy it for just who you want. You
14 can buy it for the free tier too. And so if you're on free, you want code adjustments.
15 You can buy it if you're on Premium or Ultimate.

16 And so super happy with all the things we're doing today around AI. We have 10
17 products in development. One is actually GA called Suggested Reviewers. It's
18 around workflow and suggesting who you should -- who should be the next person
19 in the workflow. It's in Ultimate today. It's bundled with Ultimate. Code
20 suggestions, we price at \$9 per user per month. And then the other 8, we're working
21 more on the technology. But look forward to them coming out and helping
22 developers, operations and security professionals being more efficient.

23 183. The statements identified above are false and/or materially misleading such that
24 Defendant Robins created the false impression that they possessed reliable information pertaining
25 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
26 thereby increasing market demand and making all levels of software development more affordable
27 and properly monetizing its AI-powered features. In truth, as corroborated by FE1, FE2, FE4, CW1
28 and CW2, GitLab's AI features did not possess the capabilities expressed and general deployment
of the touted AI-powered features amongst customers was delayed; GitLab's customers did not
see its AI-powered features as a value add; and there was weak market demand for GitLab's touted
AI integration throughout the software development lifecycle, as confirmed by CW1 and GitLab's
post-Class Period survey.

184. Defendant Robins was asked about GitLab's customer buying behavior.

26 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
27 Research Analyst> So at the end of last year, I guess if we go back to last year here
28 when we sat on the stage in this room, you were at a point where you just weren't
seeing it yet, right? I don't think the macro had really impacted your business. And

1 then at the end of the year, there was a pretty stark shift in the macro environments
 2 and fast forward 9 months from them or a year from when you were sitting next to
 3 me. And you've talked about stability in the second quarter. And I think to help
 frame the rest of the conversation, speak to the evolution that you guys have seen
 in terms of customer behavior, sales cycles and what have you?

4 <A: Brian G. Robbins> When we talked about last year, we saw that basically you
 5 buy GitLab and you pay you're in advance and you're under your contract. And so
 6 when I was saying we weren't seeing contraction, we may have been having some
 7 small contraction in the base. But when they're coming up for their year renewal is
 8 when we really saw it and what we're seeing now is people are just buying
 9 differently. I don't know if in your other software companies, you've seen this, but
 I call it the executive [VIX] for spending has been really, really high. And so with
 all the layoffs and rush to get profitable and free cash flow breakeven, a lot of
 companies are just buying what they need.

10 Historically, procurement departments for my whole career would try to buy as
 11 much as they need for a year to 2 years. They would buy for future hires, future
 12 projects and then they would -- you wouldn't see them again until renewal time.
 13 And now what you're seeing is a lot of procurement departments are buying just
 14 what's needed, and they're fine buying 2, 3 or 4 times a year. And so one of the
 15 things I've talked about is churning [and] contraction are very 2 different things.
 Usually, in companies, people have bundled them together. Churn has remained
 relatively low, but we've seen contraction primarily in premium and lack of
 expansion premium. And this is really attributed to the way that people are actually
 buying today versus how they bought in the previous year.

16 185. The statements identified above are false and/or materially misleading because
 17 Defendant Robins omitted material adverse information relating to the known trend of pricing
 18 sensitivity following the Company's Premium price increase, negatively impacting customer
 19 buying behavior, and resulting in stalled or slowed net seat expansion for existing customers.

20 186. During the conference, Defendant Robins was asked about the impact of the
 21 Premium price increase on the Company's revenue growth.

22 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
 23 Research Analyst> And with the shorter durations that you mentioned relative to
 24 Ethan's question, we should be getting really excited about this price increase then
 25 next year. And I think we're modeling the knee in the curve to hit maybe middle of
 next year. Any thoughts or directionally how we can think about that?

26 <A: Brian G. Robbins> And so with the price increase, we have 4 months of data
 27 now. And so last earnings call, we only had a month and so it wasn't really a lot
 28 that we could talk about. There was some confusion on impact this year versus next
 year. Due to the ratable nature of the revenue that we talked about will only get a
 small impact this year and so you have to look at overall bookings, part of that goes

ultimate, the rest is premium, 80% what you got is existing customers. And so they go – it's a stair step up. And so we talked about the amount of impact this year being a nominal and most impact next year and then the remaining impact coming the following year. We haven't done our annual operating plan for next year. And so I look forward on our fourth quarter earnings call. Give out our guidance for FY 2025.

187. The statements identified above are false and/or materially misleading such Defendant Robins created the false impression that he possessed reliable information pertaining to market acceptance of the Premium price increase thereby generating sustained revenue growth opportunities in FY 2025. In truth, GitLab was already experiencing pricing sensitivity following the Premium price increase, especially amongst SMB and mid-market customers, resulting in slowed or stalled net seat expansion and reducing the potential for revenue growth under the Company's ratable business model.

November 14, 2023

188. On November 14, 2023, GitLab presented at the RBC Capital Markets Global Technology, Internet, Media and Telecommunications Conference. During the conference, Defendant DeSanto was asked about the Company's AI capabilities and its potential to drive revenue growth.

<Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
I guess from a high level -- from a product perspective, do you see a difference between -- I mean, we've been talking about AI forever. You see -- do you see -- I mean, and I know the answer partially, so it's leading the witness, but the real difference between AI and generative AI and what that means from a GitLab perspective?

<A: David DeSanto> Yes. We are primarily using generative AI at GitLab. What I would say is instead of really talking about the differences between those, I think what would be great is to talk about how GitLabs doing it differently. Because everyone is saying they're including AI. And that's true.

I was just at CUBE con last week, it's big ops conference, and you couldn't walk 5 people out someone telling you that AI in their product. So GitLab, even though we're source available, we talked about Free. We're an open [core] company. We're very transparent. We end up in a situation where these are heavily regulated customers. These are people who have intellectual property, they can't have to go public and they come to GitLab to help them secure that.

1 And so when we were looking at AI, we had to ask ourselves what would make
 2 GitLab the best usage of AI and do it the GitLab way. And so we defined 3 tenants.
 3 The first was apply AI to the entire software development life cycle. When we
 4 recently just did our DevSecOps survey. If you've not read them, then they're
 5 amazing, there are full -- lots of great detail, we had over 5,000 respondents. What
 we found out that survey is that only 25% of the time that is on writing software.
 And if that's the case, then if you just accelerate that one part, the developer part,
 you're not really helping your organization get better.

6 The second was we want to be privacy and transparency first. What that means is
 7 that from a privacy standpoint, your code stays your code, we don't use it to train
 8 or fine-tune our models. And the transparency part is that you could literally go to
 9 get lab documentation at stocks@gitlab.com. And you'll see every model we're
 10 using and how it was trained. **And so that has allowed customers to feel more
 comfortable adopting it.** GitLab is trusted by more than 50% of the Fortune 100 to
 11 secure their intellectual property. That's an outstanding number, right? You talked
 about security started essentially 4 years ago in the product, and now we're the
 12 trusted provider.

13 And then the final one was we really wanted to focus on best-in-class AI. And what
 14 that means is picking the right model for the right use case. **And so we currently
 have between 12 and 16 models we use to Power GitLab for our AI features.** And
 15 so if you combine those all together, that's how GitLab is doing AI differently. **And
 it's really helping people adopt the GitLab Duo, which is our suite of AI-powered
 DevSecOps workflows.**

16 ...

17 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 18 So today, it manifests itself also in code suggestion on module. Do you see multiple
 19 sort of add-on features in the future that are kind of AI-based? I mean how do you
 think -- and I guess there's a question of how do you think again about what makes
 it into the base an Ultimate tier versus an add-on?

20 <A: David DeSanto> It's a great question. So just an update for everyone, no one
 21 saw the press release **last week, we actually announced code suggestions will be
 GA in December. Very excited about that. We've had a lot of customers turn it
 on and use and give us feedback.** And also last week, we announced this week on
 22 the 16th, which I think is Thursday. I know honestly, I've been all over the world
 at the week it is. **The Duo chat function will go into beta, which means we'll be
 available to a lot more customers and be monetizable.** And so...

23 ...

24 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 25 Is that an additional add-on?

26 <A: David DeSanto> **It's part of the existing add-on we announced, which has
 the introductory price of the \$9, but it'll also be available to customers in Ultimate.
 So to answer your question, we're looking at where the AI future fits and who it**

1 *benefits, and that's driving where it goes into the product.* Today, we have nothing
 2 that's going to be in the Free tier related to AI but things like our vulnerability
 3 summary, which I mentioned a couple of minutes ago, a customer share[d] how
 4 that allowed them to drop some of their training material. That feature will explain
 the vulnerability in natural language, given an example of the code being exploited,
 given an example of that code being fixed in the developer's programming
 language.

5 And so that feature is going to go in Ultimate because it's fall on top of GitLab
 6 Ultimate. And so that's how we're looking at it. It's like where is the future fit?
 What to build on top of and what's going to give our customers the best boost.

7 ...

8 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 9 So then that's – it's a great sort of like dichotomy of how you think about adding.
 Do you see a world in the future where there might be 2, 3, 4 different add-ons that
 10 are sort of very specific to a use case?

11 <A: David DeSanto> Yes. I mean it's a great question. Some of that's probably
 12 forward-facing stuff. I can't talk about in the quiet period here. But what I would
 say is that *we're finding ways to monetize the product in a way that is best for our*
 13 *customers. That includes -- we shared with our customers, we have a planned*
 14 *add-on that's available this week. That's helping to bring in the nontechnical*
people and to GitLab Ultimate. And so we're always looking for ways to do that.
 We realize just Premium or just Ultimate can be very restricting.

15 ...

16 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 17 Interesting. So when you -- I guess, double clicking on the GitHub piece, the
 functionality is quite different, right? Maybe explain a little bit where -- because
 18 even just from an Ultimate tier perspective just level set kind of how -- when you
 see the competition with GitHub, why do you win then?

19 <A: David DeSanto> Yes. *So it's purely on the DevSecOps platform component.*
 20 *What we're winning on is that GitLab provides a secure SCM,* GitLab provides
 21 scalability that's not always there with competition. And because we're supporting
 everyone in the process, you get a much better visibility. The one thing that's been
 22 very surprising to me is that customers adopt our value stream analytics day 1.
 That's their ability to look at their entire tool chain and see where their bottlenecks
 23 are, and that's giving that visibility.

24 And so if you are using GitHub, those things are add-on you buy through their
 25 marketplace -- our GitLab lot is included from day 1. And so for us, it's I need
 better CICD, I need scalable CICD. I need secure source code management. And I
 26 need those security scanners, the compliance controls all just built in.

27 The one thing that I've been very impressed by with our customers is they're very
 28 vocal with us. *So they may tell you something different about they may go, well,*

1 *it's really this other thing that a decision on. But really, if you compare the 2, it's*
 2 *a developer platform versus a DevSecOps of platform.*

(Emphasis added).

3 189. The statements identified above are false and/or materially misleading such that
 4 Defendant DeSanto created the false impression that he possessed reliable information pertaining
 5 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
 6 thereby increasing market demand and making all levels of software development more affordable
 7 and properly monetizing its AI-powered features. In truth, as corroborated by FE1, FE2, FE4, and
 8 CW1 and CW2, GitLab's AI features did not possess the capabilities publicly touted by Defendants
 9 and general deployment of the touted AI-powered features amongst customers was delayed;
 10 feedback from customers who had engaged with the Company's AI-powered features was largely
 11 negative; GitLab's customers did not see its AI-powered features as a value add; and there was
 12 weak market demand for GitLab's touted AI integration throughout the software development
 13 lifecycle, as confirmed by CW1 and GitLab's post-Class Period survey. As a result, the slow
 14 customer adoption of GitLab's AI-powered features and weak market demand for AI integration
 15 throughout the software development lifecycle, significantly reduced GitLab's potential for
 16 revenue growth in the near term under its ratable business model.

17 December 4, 2023

18 190. On December 4, 2023, GitLab issued its earnings report for the three-month period
 19 ended October 31, 2023, the third quarter of fiscal year 2024 ("3Q24 Earnings Report"), filed with
 20 the SEC as Exhibit 99.1 to Form 8-K, signed by Defendant Robins.

21 191. The report provided GitLab's "Business Highlights" which included:

- 22 • Announced updates to GitLab Duo, the company's suite of Artificial
 23 Intelligence ("AI") capabilities, including:
 - 24 ○ The beta release of GitLab Duo Chat, a natural-language AI assistant
 25 that provides users with real-time guidance, insights, and suggestions to
 26 help analyze code, assist with planning, understand and fix security
 27 issues, and troubleshoot CI/CD pipeline failures.
 - 28 ○ Code Suggestions, which helps development, security, and operations
 teams create new code and update existing code to reduce cognitive load,
 improve efficiency, and enable them to build more secure software

1 faster, will be generally available in the GitLab 16.7 December 2023
2 product release.

- 3 ○ The beta release of Vulnerability Summary, which provides AI-
4 generated explanations of security vulnerabilities and suggestions for
5 how to fix them.

6 192. In the 3Q24 Earnings Report, Defendant Sijbrandij is quoted as saying, “We
7 delivered a strong quarter, which was driven by the continued adoption of our DevSecOps
8 Platform[...] ... GitLab is the only DevSecOps company that integrates security, compliance, and
9 AI into one platform. With enterprises facing complexity from all directions, they need a partner
10 to help them realize business value. GitLab helps improve developer productivity and reduces
11 software spend, which is why our customers report seeing 7x faster cycle times with GitLab.”

12 193. In the 3Q24 Earnings Report, Defendant Robins is quoted as saying, “Revenue
13 grew 32% year-over-year, which demonstrates continued business momentum driven by our
14 market-leading platform approach[...] ... We continue to grow responsibly and delivered over 2,200
15 basis points of non-GAAP operating margin expansion. I am pleased to share that we had our first
16 quarter of non-GAAP operating profit while continuing to invest in key product areas including
17 security, compliance, AI, and Enterprise Agile Planning.”

18 194. The statements identified above are false and/or materially misleading such that
19 Defendants created the false impression that they possessed reliable information pertaining to
20 GitLab’s ability to develop and incorporate AI throughout the software development lifecycle
21 thereby increasing market demand and making all levels of software development more affordable
22 and properly monetizing its AI-powered features. In truth, as corroborated by FE1, FE2, FE4, CW1
23 and CW2, GitLab’s AI features did not possess the capabilities publicly touted by Defendants and
24 general deployment of its touted AI features amongst customers had been delayed; GitLab’s
25 customers did not see its AI-powered features as a value add; feedback from customers who had
26 engaged with GitLab’s AI-powered features was largely negative; and there was weak market
27 demand for GitLab’s touted AI integration throughout the software development lifecycle, as
28 confirmed by CW1 and GitLab’s post-Class Period survey. As a result, the slow customer adoption
of GitLab’s AI-powered features and weak market demand for AI integration throughout the

1 software development lifecycle, significantly reduced GitLab's potential for revenue growth in the
2 near term under its ratable business model.

3 195. Later that day, GitLab held an investor conference call to discuss its financial
4 results for the third quarter of fiscal year 2024 ("3Q24 Earnings Call"). During the call, Defendant
5 Sijbrandij reiterated the Company's numerous AI features available and how it has resonated with
6 customers stating, in pertinent part:

7 Now I'd like to discuss our second topic, which is our unique approach to AI. *We*
8 *already have 14 AI features available to our customers.* That's more than any
9 other DevSecOps platform we continue to innovate. *GitLab Duo is our suite of AI-*
10 *powered DevSecOps workflows that enables customers to boost speed and*
11 *efficiency without sacrificing privacy, security and compliance.*

12 We have 3 principles in our AI strategy. First, we're the only platform that
13 integrates AI throughout the entire software development life cycle. As developers
14 become more effective, we enable security and operations team members keep pace.
15 Also, developers only spend 25% of their time writing code. AI within DevSecOps
16 should focus on more than just code creation.

17 Second, we are privacy and transparency first in our approach to AI. *Our customers*
18 *are eager to use AI,* but they want to do so responsibly. To support them with this,
19 we do not use their code to train the AI models used by other customers. Our
20 privacy-first approach is why more than 50% of the Fortune 100 trust GitLab to
21 secure their intellectual property.

22 And third, our AI is powered by a diverse set of models from technology partners
23 as well as our own AI models. That allows us to select the best AI model for each
24 use case.

25 *In Q3, we released the beta of GitLab Duo Vulnerability summary.* This is a cool
26 feature that provides AI-generated explanations of security vulnerabilities and
27 suggestions for how to fix them. *Another example of our progress is GitLab Duo*
28 *Code Suggestions, our AI-powered code creation feature. It will be generally*
available in our December product release. We have been hearing from our
customers that they are seeing efficiency improvements upwards of 50% with
Code Suggestions.

And finally, we recently announced the beta release of GitLab Duo Chat. With
GitLab Duo Chat users can quickly understand project status, get help with
planning and configuration, receive explanations of suggested code and generate
tests, all without context switching. To start, GitLab Chat is available within GitLab
UI, Web IDE and VS Code. We plan to add support for more editors in the future.

Our approach to AI is resonating with our customers. For example, Amado Gramajo, Vice President of Infrastructure & DevOps at Nasdaq, recently shared his excitement about how GitLab Duo will help Nasdaq protect their intellectual property and stay in line with regulatory mandates. And presenting at this year's Gartner Application Innovation Summit, Bal Kang at NatWest said, 'GitLab Duo enables our developers to be more productive, efficient and successful in creating secure code. We're excited to see the benefits of GitLab's AI features across the entire value chain, and even our most seasoned engineers are seeing value.'

Security and compliance, AI and enterprise agile planning strengthened our position as the leader in the DevSecOps platform category. The breadth and depth of our platform across the entire software development life cycle differentiate us from point solutions and our main competitor, GitHub. Let me give a few examples of why enterprises choose GitLab.

First is a leading global financial platform that tried to integrate GitHub with several other DevOps tools. This created complex workflows that require time-consuming maintenance. Now the customer is moving their code repository and CI from GitHub to GitLab, and GitLab was able to replace other point solutions for automation, continuous delivery and package management as well. With GitLab, the customer is able to reduce costs and centralize their work on a single platform with 8x faster deployments and 4x faster feature delivery.

Another example is a business networking organization that initially built its software development workflows around GitHub. They began hitting usage limits when running builds and quickly realized that GitHub was not efficient enough to support their growth. They switched to GitLab Premium and saw 7x increase in the number of pipelines run. They also needed a comprehensive security and compliance solution that GitHub was unable to provide. As a result, the company upgraded to GitLab Ultimate this year to help them build a major new product to serve their rapidly growing customer base.

We believe that enterprises need more than a developer platform. They need a full DevSecOps platform that scales and streamlines software development workflows while ensuring robust security and compliance...

We created the DevOps platform category, and we continue to set the standard. We remain focused on helping enterprises build fast and stay secure with tools that teams love to use. We are well positioned to win the estimated \$40 billion market opportunity in front of us. I'd like to thank all of our customers as well as our partners, our team members, community members and investors for their continued support.

(Emphasis added).

196. The statements identified above are false and/or materially misleading such that Defendant Sijbrandij created the false impression that he possessed reliable information pertaining

1 to GitLab’s ability to develop and incorporate AI throughout the software development lifecycle
 2 thereby increasing market demand and making all levels of software development more affordable
 3 and properly monetizing its AI-powered features. In truth, as corroborated by FE1, FE2, FE4, CW1
 4 and CW2, GitLab’s AI features did not possess the capabilities publicly touted by Defendants and
 5 general deployment of its touted AI features amongst customers had been delayed; GitLab’s
 6 customers were *not* “eager to use AI” and did not see GitLab’s AI offerings as a value add; there
 7 was weak market demand for GitLab’s touted AI integration throughout the software development
 8 lifecycle, as confirmed by CW1 and GitLab’s post-Class Period survey; and as a result, GitLab’s
 9 “approach to AI” was *not* resonating with its customers. Likewise, when Defendant Sijbrandij
 10 chose to speak about positive interactions with customers about encompassing AI in every phase
 11 of the software development lifecycle, he had a duty to disclose that customer feedback regarding
 12 GitLab’s AI-powered features had been largely negative, as corroborated by FE1. Additionally, as
 13 corroborated by FE4, CW1 and CW2, GitLab had not intended to, nor did it, develop AI-powered
 14 features competitive to GitHub Copilot, and its focus on speed throughout the entire software
 15 development process came at a cost of accuracy and productivity, resulting in an inferior and
 16 undesirable product line.

17 197. During the same call, Defendant Robins addressed customer buying behavior.

18 Looking back at the quarter, I want to share some of the areas we have been closely
 19 monitoring. These include sales cycles, win rates, contraction and Ultimate. In
 20 comparing Q3 with Q2 of FY ’24, we have seen overall sales cycles lengthen.
 21 During Q3, buying behavior in our Enterprise segment stabilized. ***However, in the***
 22 ***mid-market and SMB, we see customers continue to be cautious in an uncertain***
 23 ***macro environment.*** We have adopted our go-to-market approach in this
 24 environment to deliver predictable and strong results.

25 In Q3, our win rates have improved, signaling that the value proposition of the
 26 DevSecOps platform is resonating in the market. Contraction during Q3 also
 27 improved for the third consecutive quarter and is in line with levels from Q3 last
 28 year. ...

(Emphasis added).

198. The statements identified above are false and/or materially misleading because
 Defendant Robins omitted material adverse information relating to pricing sensitivity following

1 the Premium price increase, negatively impacting customer buying behavior, especially amongst
2 SMB and mid-market customers. Likewise, when Defendant Robins chose to positively promote
3 the Company's win rates and contraction, he had a duty to also disclose the negative impact the
4 Premium price increase was having on GitLab's primary revenue driver – net seat expansion.

5 199. Defendant Robins went on to reiterate the long-term positive impact of the
6 Premium price increase and GitLab's plans to monetize its AI features.

7 There are a number of drivers we believe will fuel our business in FY '25 and
8 beyond. At our core, continuing to deliver customer value with our DevSecOps
9 platform aligns our success with our customers' success. Additionally, in April this
10 year, we raised the price of our Premium tier for the first time in 5 years. Thus far,
customer behavior has been in line with our expectations, although as a reminder,
we anticipate the real financial impact from this change through FY '26.

11 *****

12 The final driver for FY '25 and beyond is the monetization of our AI capabilities.
13 Last month, we announced the general availability of GitLab Duo Code
Suggestions is expected in our December product release.

14 200. The statements identified above are false and/or materially misleading such that
15 Defendant Robins created the false impression that he possessed reliable information pertaining
16 to: (1) market acceptance of the Company's Premium price increase; and (2) GitLab's ability to
17 develop and incorporate AI throughout the software development lifecycle thereby increasing
18 market demand and making all levels of software development more affordable and properly
19 monetizing its AI-powered features; thereby generating sustained revenue growth opportunities in
20 FY 2025. In truth, as corroborated by FE1, FE2, FE4, CW1 and CW2, GitLab's AI features did
21 not possess the capabilities publicly touted by Defendants and general deployment of the touted
22 AI-powered features amongst customers was delayed; feedback from customers who had engaged
23 with the Company's AI-powered features was largely negative; GitLab's customers did not see its
24 AI-powered features as a value add; and there was weak market demand for GitLab's touted AI
25 integration throughout the software development lifecycle, as confirmed by CW1 and GitLab post-
26 Class Period survey. In addition, GitLab was already experiencing pricing sensitivity following
27 the Premium price increase, especially amongst SMB and mid-market customers, resulting in
28

1 slowed or stalled net seat expansion. As a result, declining expansion growth under the Premium
2 tier, coupled with slow customer adoption of GitLab's AI-powered features and weak market
3 demand for AI integration throughout the software development lifecycle, significantly reduced
4 GitLab's potential for revenue growth in FY 2025 under its ratable business model.

5 201. During the question-and-answer segment of the call, Defendant Robins was asked
6 whether there has been any change in the guidance relating to the Premium price increase based
7 on customer buying behavior.

8 <Q: Michael Joseph Cikos Needham & Company, LLC, Research Division –
9 Senior Analyst> I did just want to double check. So the first piece here, Brian,
10 appreciate the update. It sounds like the Premium price SKU increase is tracking in
11 line with expectations. Just wanted to see if there was any more color you could
12 parse out there and if that in any way or your assumptions for that Premium price
SKU is -- has changed when we think about that Q4 guidance that you guys are
putting out there today?

13 <A: Brian G. Robins GitLab Inc. – Chief Financial Officer> Yes. Thanks, Mike.
14 We're happy with the performance of the Premium price SKU. It's in line with
15 what we modeled. One of the things that we've noted is first orders, especially in
16 SMB and mid-market, are lower than expected. And you'll see some of that in the
base customers of greater than \$5,000. But overall, we're happy with the Premium
price impact, and it's in line with our expectations.

17 202. The statements identified above are false and/or materially misleading because
18 Defendant Robins omitted material adverse information relating to pricing sensitivity amongst its
19 existing customer base following the Premium price increase. Defendant Robins failed to disclose
20 that existing customer buying behavior was negatively impacted by the Premium price increase
21 resulting in slowed or stalled net seat expansion.

22 203. During the question-and-answer segment of the call, Defendant Sijbrandij was asked
23 about GitLab's AI capabilities and its potential to drive revenue growth.

24 <Q: Kasthuri Gopalan Rangan – Goldman Sachs – Analyst> And second and final,
25 the – we've been waiting for Google to more closely align or for you to closely
26 align your generative AI efforts with Google. How close or how far are we from a
full-blown integration and announcement of sorts?

27 <A: Sytse Sijbrandij> ***Yes, the customer feedback on our AI functionality has***
28 ***been positive.*** And as you might have heard in the prepared remarks, customers like

1 NatWest and Nasdaq are using it in their engineering teams and seeing the value
2 and the productivity and efficiency that it brings.

3 *Our customers have reported efficiency improvements upwards of 50% with Code*
4 *Suggestions. We recently spoke with a leading international travel agency, and*
5 *they said that the features they tested, they believe that GitLab offers a better*
6 *quality there. We also spoke with a multinational financial technology company,*
7 *and their team is excited about using GitLab Duo for generating configurations,*
8 *test generation, book finding and automating operational work. So we're very*
9 *excited that we have a broad platform so that we can do AI across the life cycle*
10 *with 14 features for customers available today.*

11 ...

12 <Q: Nicholas William Altmann Scotiabank Global Banking and Markets, Research
13 Division – Analyst> I wanted to build on Ryan's question just around the generative
14 AI functionality with GitLab Duo. It sounds like there's not going to be really any
15 difference in feature functionality and sort of folding in some of the new
16 enhancements into SaaS and self-managed. But I wanted to ask how you guys think
17 about layering additional feature functionality into Premium versus Ultimate and
18 whether there's going to be kind of any difference there. And then just as a follow-
19 up to that, as you sort of layer in more functionality into that Ultimate SKU, more
20 broadly, how do you think about pricing?

21 <A: Sytse Sijbrandij> *Yes, I think the -- our Code Suggestions, I think, is very*
22 *comparable to market. But I think what's unique about GitLab is having 14 AI*
23 *features in the platform available to customers today. I think that's a big*
24 *differentiation.* As for how do we sell it, some features will be a different SKU, for
25 example, Code Suggestions, and that's then available not just to Ultimate and
26 Premium but also free customers that might be not paying for GitLab today. I think
27 that's an exciting opportunity, especially over the long term. And then some of the
28 features we're going to put into Ultimate or Premium, and there might even be extra
SKUs we introduce in the future.

...

<Q: Michael Turits KeyBanc Capital Markets Inc., Research Division – MD &
Senior Analyst> Right. I guess I meant it more from a general demand perspective.
In other words, people are using more cloud. Is that driving more need, demand for
GitLab subscriptions, seats, et cetera? And again, what's really offsetting that SMB
weakness that drove the upside in the quarter?

<A: Sytse Sijbrandij> I think that with GitLab, it has the biggest benefit the more
complex your organization is. So the more complex your security and governance,
the more heterogeneity in your projects where you go from kind of having projects
on mainframe to the latest agile, that is where we can really shine. By bringing that
all together in 1 platform, we typically see a 7x acceleration of cycle time. So give
us the hardest problems, that's where we shine. And the enterprises are having the
hardest time of kind of having to move really fast, having all that -- all these things,

1 they have to move at the same time but having the most compliance and security
2 questions to do.

3 *We do believe if you look at the overall market, so far, it's just going to keep*
4 *getting more complex. You get AI now. You'll have more regulatory friction*
5 *coming for everyone. So that gives us a lot of optimism about the future.*

6 (Emphasis added).

7 204. The statements identified above are false and/or materially misleading such that
8 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
9 to GitLab's ability to develop and incorporate AI throughout the software development lifecycle
10 thereby increasing market demand and making all levels of software development more affordable
11 and properly monetizing its AI-powered features. In truth, as corroborated by FE1, FE2, FE4, CW1
12 and CW2, GitLab's AI features did not possess the capabilities publicly touted by Defendants and
13 general deployment of its touted AI features amongst customers had been delayed; GitLab's
14 customers did not see GitLab's AI offerings as a value add; and there was weak market demand
15 for GitLab's touted AI integration throughout the software development lifecycle, as confirmed
16 by CW1 and GitLab's post-Class Period survey. Likewise, when Defendant Sijbrandij chose to
17 tout overwhelmingly positive interactions with customers, he had a duty to disclose that customer
18 feedback regarding GitLab's AI-powered features had been largely negative, making it a difficult
19 product to sell, as corroborated by FE1. Additionally, as corroborated by FE4 and CW1, GitLab
20 developed its AI-powered features for a limited pool of customers in the enterprise and public
21 sectors, customers with high data and privacy concerns, that were only accessible through a cloud
22 environment or in limited form via the Internet, making it a difficult product to sell. And as
23 corroborated by FE4, CW1 and CW2, GitLab had not intended to, nor did it, develop competitive
24 AI-powered features, rather the Company's focus on speed throughout the entire software
25 development process came at a cost of accuracy and productivity, resulting in an inferior and
26 undesirable product line.

205. During the question-and-answer segment of the Call, Defendants were asked about the Company's product-led growth motion, announced at the same time as the Premium price increase, and its impact on customer buying behavior.

<Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst> Congrats from me as well. Maybe for either of you. One of the drivers that we think about over the next couple of years is free to pay. I think you guys have changed slightly sort of how you think about free-to-pay usage within your base. Can you talk a little bit more about that philosophically? And are you seeing any benefit from that in the Q3 results?

<A: Brian G. Robbins> Yes, Matt, I'll take that. Thanks for the question. And so we did implement a user limit on gitlab.com, and it's led good conversion from free to paid. However, the vast majority just fall below \$5,000, the base customer limit that we report, and so the impact is relatively low. We're continuing to pursue that product-led growth. We think it will be – it's built into our guidance. And so that's on free to pay.

I'll also take this as just an opportunity. I know a lot of you have had a wide range of outputs in the model for FY 2025 related to the Premium price increase. We're halfway through our planning process right now. So we aren't giving guidance for next year. It's still a bit early. But the early work that we've done, we believe that the Premium price increase will contribute roughly \$10 million to \$20 million in revenue for next year. And so it should help you out from a modeling perspective.

...

<Q: Allan M. Verkhovski Wolfe Research, LLC – Research Analyst> Just a quick last question for me. Brian, that \$10 million to \$20 million benefit comment you made for next year's number, from the pricing increase was really helpful. Would love to understand what gross turn or NRR has been for Premium customers renewing over the last few quarters? And what kind of rough assumptions are you using to get to that \$10 million to \$20 million [still] in next year?

<A: Brian G. Robbins> Yes. So similar to what we walked through before, where we took a certain amount of bookings, we saw when they're coming up for renewal what the stage would be with the 1 year for existing customers and then the price increase for new customers and then taking an average of -- our average contract term right now is roughly about 15 months and in building that waterfall model.

And so I've talked about historically that it is ratable, and you have to build the ratable sort of nature of the waterfall out. Since there's been so many estimates that have come out in the various models, we thought it would be good just to quantify what the impact for next year would be to help you with your modeling.

206. The statements identified above are false and/or materially misleading because Defendant Robins omitted material adverse information relating to pricing sensitivity following

1 the Premium price increase, negatively impacting customer buying behavior. Defendant Robins
 2 failed to disclose that GitLab had already experienced significant slowed or stalled net seat
 3 expansion during FY 2024, resulting in lower Base Customers added, and adversely impacting the
 4 Company's potential revenue growth in FY 2025, under its ratable business model.

5 March 4, 2024

6 207. On March 4, 2024, GitLab hosted an investor conference call to discuss the
 7 financial results for the three-month period and fiscal year ended January 31, 2023, the fourth
 8 quarter and fiscal year 2024 ("4Q24 Earnings Call").

9 208. During the question-and-answer segment of the call, Defendant Sijbrandij was
 10 asked about GitLab's competition with GitHub.

11 <Q: Jason Noah Ader William Blair & Company L.L.C., Research Division –
 12 Partner & Co-Group Head of Technology, Media and Communications> I know
 13 you've covered this. But can you just refresh us quickly on GitLab's key
 14 differentiators versus GitHub? I know there's a lot of questions always on GitLab
 versus GitHub, but just talk about where you are today on differentiation and where
 you expect to be going forward.

15 <A: Sytse Sijbrandij> Yes. Thanks for that opportunity. ***So we're winning deals***
 16 ***against GitHub because we have the most comprehensive platform.*** In security
 17 and compliance, only we have [] the dynamic scanning, the container scanning, the
 API security and the compliance management, the ability to prove that you've done
 all of that.

18 For example, T-Mobile moved 25,000 software projects to GitLab in 2 months, and
 19 then they were able to start hundreds of thousands of security scans. In planning
 20 and management, only we have Enterprise Agile Planning, value stream
 21 management, DORA metrics. ***And because we are better able to address those use***
 22 ***cases, we're also able to build AI features that build on that, for example, the***
 23 ***ability to explain vulnerabilities and to have the AI suggest a fix. So we're really***
 24 ***bullish in competing because we have the broadest platform and because that***
enables us to do more with AI.

(Emphasis added).

25 209. The statements identified above are false and/or materially misleading because
 26 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining
 27 to GitLab's ability to develop competitive product offerings and incorporate such offerings
 28 throughout the software development lifecycle thereby increasing market demand for GitLab's

1 platform. In truth, as corroborated by FE4, CW1, and CW2, GitLab had not intended to, nor did it,
 2 develop AI-powered features competitive to GitHub, rather GitLab developed an AI product line
 3 tailored for a limited pool of customers in the enterprise and public sectors, and the Company's
 4 focus on speed throughout the entire software development process came at a cost of accuracy and
 5 productivity, resulting in an inferior and undesirable comparative product offered at a higher price.
 6 As a result, GitLab was already experiencing pricing sensitivity, especially amongst SMB and
 7 mid-market customers, significantly reducing GitLab's potential for revenue growth.

8 210. During the call, Defendant Robins was asked about customer buying behavior and
 9 how that impacted the Company's lower-than-expected FY 2025 revenue guidance.

10 <Q: Shebly Seyrafi FBN Securities, Inc., Research Division – Managing Director>
 11 So I think in prior quarters, you noted that sales cycles for the SMB, mid-market
 12 have been elongated, and in this quarter, you said enterprise did better than expected.
 13 So did SMB continue to be more challenged? Did the sales cycles improve? Just
 14 elaborate on what you're seeing in the SMB, mid-market segment.

15 <A: Brian G. Robbins> Thanks for that, Shebly. We're seeing customer buying
 16 behavior normalizing across the board. We didn't break out the sales cycles for
 17 SMB and mid-market in particular. But as I said, the churn and contraction, it's best
 18 that we see in 6 quarters, and sales cycles have normalized across the board.

19 ...

20 <Q: Karl Emil Keirstead UBS Investment Bank, Research Division – Analyst>
 21 Maybe for Brian. Brian, to your comment that you're electing to take a less
 22 conservative posture on the guidance, maybe a two-parter. Why – what's the logic
 23 there? Is it just that GitLab is now a big organization across a bigger scale and
 24 customer base, you've just got a little more precise visibility? Is that it? Or is it in
 25 reaction to the environment?

26 <A: Brian G. Robbins> Yes. Thanks for that, Karl. Going into our third year as a
 27 public company and also seeing the normalization of buying behavior, we'll just be
 28 less conservative in the guidance that we're giving out.

<Q: Karl Emil Keirstead UBS Investment Bank, Research Division – Analyst>
 Okay. And then I guess the follow-up would be did you make that change for the
 fourth quarter such that the beat you just put up in the January quarter might -- we
 can look as kind of a start of this more conservative guidance posture. Or is it more
 going forward?

<A: Brian G. Robbins> No, it's more going forward. Very happy with the bookings
 this quarter. We had the largest bookings quarter in company history. There is many
 firsts within the quarter: largest hyperscaler contribution, largest first order, largest

1 Ultimate, and we had a greater number of \$1 million-plus deals. There was some
 2 linearity in the quarter. Things came more back in, in the quarter than expected.

...

3 <Q: Michael Joseph Cikos Needham & Company, LLC, Research Division –
 4 Senior Analyst> I know in the Q&A, I think you had called out, from a linearity
 5 perspective, the quarter seemed to be a little bit more back half weighted. And so
 6 just curious -- again, we're trying to get our arms around this guidance here. Was
 7 there any change in customer behavior or purchasing patterns as we moved into --
 8 we now have, call it, a month or 2 under our belt for the current quarter? Or were
 9 things relatively unchanged as far as the spending patterns you're seeing?

10 <A: Brian G. Robbins> Yes. Thanks for that. We typically haven't commented sort
 11 of up into earnings. We comment sort of up until the quarter close. And we did see
 12 normalization across the entire -- across enterprise, mid-market and SMB. And I've
 13 also mentioned that we saw churn and contraction back to what we've seen 6
 14 quarters ago. And so that obviously gave us some confidence to give the guidance
 15 that we gave.

...

16 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
 17 You mentioned a number of the drivers in the prepared remarks. One that I don't
 18 think you talked about was free to pay, and I know there's been an increased focus
 19 on that. Any update on that sort of focus? Because it really does feel like that's a
 20 real long-tail opportunity, but curious if there's anything to mention there.

21 <A: Brian G. Robbins> Yes. Thanks, Matt. We are getting a lot of free-to-paid
 22 conversion. However, the numbers are relatively low, so they don't come into the
 23 base customer count. And if you look at the overall sort of ARR that they're
 24 contributing, it's relatively small at this point.

...

25 <Q: Jason Noah Ader William Blair & Company L.L.C., Research Division –
 26 Partner & Co-Group Head of Technology, Media and Communications> Brian, just
 27 trying to square, I guess, with everybody else the guidance with the less
 28 conservative posture comment. In particular, if NRR is trending up and is around
 130%, doesn't this imply that NRR would have to decline from here for revenue
 growth to be in the mid-20s?

<A: Brian G. Robbins> There's a number of factors that go into our guidance. We
 build it from a bottoms-up perspective. And I would just say that what we reported
 was actuals and what we're guiding to is guidance, right? So it's not comparing
 apples to apples.

211. The statements identified above are false and/or materially misleading because
 Defendant Robins omitted material adverse information relating to pricing sensitivity following
 the Premium price increase, negatively impacting customer buying behavior. Defendant Robins

1 failed to disclose that GitLab had already experienced significant slowed or stalled net seat
 2 expansion during FY 2024, resulting in lower Base Customers added, adversely impacting the
 3 Company's potential revenue growth in FY 2025, and significantly increasing the risk of DBNRR
 4 contraction in FY 2025, under its ratable business model.

5 March 7, 2024

6 212. On March 7, 2024, Defendants Robbins and Sijbrandij presented, on behalf of
 7 GitLab, at Morgan Stanley's Technology Media & Telecom Conference. During the conference,
 8 Defendant Sijbrandij was asked about GitLab's AI capabilities and its competition with GitHub.

9 <Q: Sanjit Kumar Singh Morgan Stanley, Research Division – Vice President>
 10 When the generative AI, like kind of hype cycle hit in full force at spring of last
 11 year. There was an initial view that when things like GitHub copilots that would be
 12 disruptive to companies like -- companies like GitLab. And since then, we've seen
 13 a number of companies released their code adviser, copilots, you guys have as well.
 14 And so going forward, how does the customer think about one? First part of the
 15 question. What AI is going to do to other parts of the life cycle, so beyond code
 advisers? And what's going to be the basis of why I choose one platform like a
 GitLab versus a GitHub and there's even other players that are trying to do some
 other things. Like what's -- how has AI changed the basis of competition is the
 spirit of the question?

16 <A: Sytse Sijbrandij> Yes. Great question. Three points I'll make. First one is *you*
 17 *need a good code suggestions functionality. We went generally available with*
code suggestions in December, it is a competitive offering.

18 The second thing is the context windows are increasing, like the AI can get smarter,
 19 if you give it the relevant information. The code hosting platforms, GitHub, GitLab,
 20 have a natural advantage in making DIs give smarter suggestions because it's easier
 for us to give that contract.

21 Third thing is people are rising up. *AI is not just writing more code. It's helping*
 22 *the developers with everything else. It's helping their security, the operations, the*
 23 *planning people. And they're starting to look at, okay, who can add the most value*
 24 *over the whole software development life cycle.* Recent Omdia report, we met 37
 25 of the 42 use case, more than any other DevOps platform, and that's starting to
 become a bigger and bigger thing. So the shine of the headlining feature is kind of
 -- yes, and we don't [scatter] that, and now it's about who can add the most value
 throughout the life cycle.

26 (Emphasis added).

27 213. The statements identified above are false and/or materially misleading because
 28 Defendant Sijbrandij created the false impression that he possessed reliable information pertaining

1 to GitLab's ability to develop competitive product offerings and incorporate such offerings
 2 throughout the software development lifecycle thereby increasing market demand for GitLab's
 3 platform. In truth, as corroborated by FE4, CW1, and CW2, GitLab had not intended to, nor did it,
 4 develop AI-powered features competitive to GitHub, rather GitLab developed an AI product line
 5 tailored for a limited pool of customers in the enterprise and public sectors, and the Company's
 6 focus on speed throughout the entire software development process came at a cost of accuracy and
 7 productivity, resulting in an inferior and undesirable comparative product offered at a higher price.
 8 As a result, GitLab was already experiencing pricing sensitivity, especially amongst SMB and
 9 mid-market customers, significantly reducing GitLab's potential for revenue growth.

10 March 27, 2024

11 214. On March 27, 2024, Defendants Robbins and Sijbrandij, on behalf of GitLab,
 12 participated in a Special Call for investors hosted by Truist Securities. During the call, Defendant
 13 Sijbrandij was asked about GitLab's competition with GitHub.

14 <Q: Joel P. Fishbein Truist Securities, Inc., Research Division – MD of Software
 15 and Cloud Technology> So that brings up the question we also get asked a lot, I'm
 16 sure you guys just do as well, about your competition versus GitHub. You talked
 17 about win rates being very strong against them. And I know DIY is your #1
 18 competitor, but they disclosed over 40% year-over-year growth. Number one, do
 you believe it? Number two, is, how are -- are you planning any changes to your
 competitive strategy there? Or do you think you need to?

19 <A: Sytse Sijbrandij> ***Yes. We feel good about our ability to compete.*** We are
 20 typically, I think in a -- kind of at a higher price point because we have a broader
 21 platform, the enterprise agile planning, the security, the governance, even the
 22 packaging functionality and everything else, it's much broader. So customers can
 replace more point solutions. ***We create more value for them. We can charge more
 for that.***

23 The Microsoft typically does bundling. So they have some flexibility in how they
 24 attribute revenue, I think kind of -- if we take down -- if we take it as -- their
 25 numbers with -- and assume that the attribution was valid, we're growing at the
 26 same rate. ***But we've caught up like we -- as a company, we started many years
 later, and we're now kind of in the same ballpark. So I think over time, we've
 seen that customers are willing to pay for something like this if it makes them
 more effective,*** and we believe we can because we have the broader platform, we
 can replace more point solutions at customers.

27
 28 (Emphasis added).

215. The statements identified above are false and/or materially misleading because Defendant Sijbrandij created the false impression that he possessed reliable information pertaining to GitLab's ability to develop competitive product offerings and incorporate such offerings throughout the software development lifecycle thereby increasing market demand for GitLab's platform. In truth, as corroborated by FE4, CW1, and CW2, GitLab had not intended to, nor did it, develop AI-powered features competitive to GitHub, rather GitLab developed an AI product line tailored for a limited pool of customers in the enterprise and public sectors, and the Company's focus on speed throughout the entire software development process came at a cost of accuracy and productivity, resulting in an inferior and undesirable comparative product offered at a higher price. As a result, GitLab was already experiencing pricing sensitivity, especially amongst SMB and mid-market customers, significantly reducing GitLab's potential for revenue growth.

VII. ADDITIONAL SCIENTER ALLEGATIONS

216. Numerous facts alleged in Section V, *supra*, viewed collectively and holistically, raise a strong inference that the Individual Defendants knew or, at minimum, were reckless in disregarding the true facts regarding GitLab's developmentally delayed AI-powered features, generating weak market demand and its growing deficit in net seat expansion following the Premium price increase, negatively impacting the Company's revenue growth opportunities in FY 2025, and that each of the false and misleading statements set forth in Section VI, *supra*, were materially false and misleading and/or omitted material adverse facts. In addition to the allegations set forth above, the following facts further support a strong inference of scienter.

A. Corroborating Former Employee Accounts Confirm Individual Defendants' Knowledge of Material Adverse Information

217. In addition to corroborating former employee accounts detailed in Section V.D., *supra*, the following corroborating accounts of FE3 confirm the Individual Defendants' knowledge of material adverse information concealed from investors during the Class Period. Specifically, the Individual Defendants were directly provided with and/or had access to information regarding the development status of all product innovations at the Company.

218. During their tenure at GitLab (November 2021 to November 2024), FE3 recalled discussions of the Company's AI product offerings at the GitLab Assembly, which were all-company meetings – meaning all employees, including senior executives, were in attendance – held by GitLab mid-quarter every quarter. According to FE3, at those hour-or-so-long meetings, team members from any department could ask questions, and GitLab employees shared what was on the horizon for the Company.

219. During their tenure at GitLab (May 2020 through July 2023), FE4 recounted that the Company's AI product was in development and with progress shifting daily, GitLab leadership was regularly kept in the loop. FE4 explained that a lot goes into good and bad days with AI and so AI development was a topic of every meeting that leadership was involved with, especially any strategic meetings. According to FE4, AI development absolutely took precedence over all other topics of discussion at GitLab.

B. The Individual Defendants Held High-Level Positions at GitLab

220. At all relevant times, each of the Individual Defendants served as senior level executives of GitLab.

221. Defendant Sijbrandij is the co-founder of GitLab and has served as the Company's CEO and board member since September 2014, and Chairman since March 2021.

222. As GitLab's CEO, Defendant Sijbrandij was the head of GitLab's management and operation team. Sijbrandij, by virtue of his responsibilities and activities as CEO, was privy to all material information concerning, *inter alia*, GitLab's purported AI capabilities, monetization opportunities, subscription bookings, customer buying behaviors, and market demand.

223. Notably, on December 5, 2024, during the Company's investor conference call to discuss the financial results of the third quarter of fiscal year 2025 and in a press release not filed with the SEC, GitLab announced that Bill Staples would be taking over as CEO, but Defendant Sijbrandij would continue to serve as Chairman.

224. Defendant Robins has served as the Company's CFO since October 2020. Prior to joining GitLab, Mr. Robins has experience serving as CFO of various software, cybersecurity, and information technology companies dating back to 2008.

225. As GitLab's CFO, Defendant Robins was the head of GitLab's financial team and was responsible for ensuring the Company maintained adequate internal controls over financial reporting, designed under his supervision, to provide reasonable assurance regarding the reliability of financial reporting. Robins, by virtue of his responsibilities and activities as CFO, was privy to all material information concerning, *inter alia*, GitLab's purported AI capabilities, monetization opportunities, subscription bookings, customer buying behaviors, and market demand.

226. Defendant DeSanto joined GitLab in 2019 to help grow its Ultimate tier through building security into the DevOps process. DeSanto was appointed Chief Product Officer (CPO) in December 2022, after holding other leadership positions within the Company's product division.

227. As CPO of GitLab, DeSanto is primarily responsible for defining and executing a vision and roadmap for the Company's products. He was also responsible for facilitating a strong collaboration between product, engineering, Defendant Sijbrandij, and other executives. According to the GitLab Handbook, in this role, Defendant DeSanto is responsible for, *inter alia*, pricing tier decisions and process that sales and the wider community embrace; talking to customers regularly and providing that connection to the rest of the Company; ensuring customer feel understood; collecting competitive advantages and shortcomings in a structured way; and overseeing growth/user marketing strategy and implementation with the relevant product manager.

228. DeSanto, by virtue of his responsibilities and activities as CPO, was privy to all material information concerning, *inter alia*, GitLab's purported AI capabilities, monetization opportunities, subscription bookings, customer buying behaviors, and market demand.

C. AI and the Premium Price Increase Were Integral to GitLab's Success

229. The fraud alleged herein related to the core business and operations of GitLab, such that knowledge thereof may be imputed to the Individual Defendants. GitLab's sole business was developing and marketing its DevSecOps platform. Product design, productivity, and security, customer buying behavior, and subscription contracts were elements of the Company's business, operations, and prospects. In addition, as a company on a mission to scale and improve margins, meeting existing demand and recruiting new customers was essential to GitLab's success. As discussed in Sections V.B. and V.C., *supra*, the Company's product innovations geared towards

1 integrating AI-powered features throughout the software development lifecycle and the Premium
2 price increase were critical elements of the growth strategy.

3 230. Accordingly, it is appropriate to presume that the Individual Defendants were
4 apprised of, had access to, or had actual knowledge of all material information related to GitLab's
5 business operations and financial condition during the Class Period, including the material adverse
6 information that was improperly withheld and/or misrepresented to investors.

7 **D. The Individual Defendants Held Themselves Out as Knowledgeable**

8 231. The Individual Defendants knew investors and analysts were acutely interested in
9 the Company's AI capabilities and related monetization opportunities, customer buying behavior,
10 and the revenue impact of the Premium price increase because they were repeatedly asked about
11 such key operations and financial metrics throughout the Class Period during numerous investor
12 calls and at analyst conferences. The Individual Defendants consistently spoke to those subjects
13 with authority, indicating that they either had actual knowledge of the subject matters discussed
14 (and thus the truthful information omitted) or were reckless to the likelihood of misleading
15 investors by speaking with authority as to subjects about which they actually were uninformed.

16 232. In addition to the numerous statements made by the Individual Defendants
17 described in Section VI, *supra*, indicative of knowledge or, at minimum, reckless disregard of
18 adverse facts, during the question-and-answer segment of the Piper Sandler Growth Frontiers
19 Conference, held on September 12, 2023, Defendant Robins was asked about the competitive
20 landscape around AI offerings in software development, particularly the Company's competition
21 with GitHub.

22 <Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior
23 Research Analyst> Great. And then, I guess, with regard to Microsoft, maybe talk
24 a little bit about competition with GitHub. And I think there's the perception that
25 there's only the 2 of you, but I think you, in a lot of situations, go and replace open
source and other types of folks than GitHub. So how much are they really in the
equation when you're going in and selling?

26 <A: Brian G. Robbins> Our biggest competition is DIY DevOps. And so it's a do-
27 it-yourself DevOps, where people are actually taking all the point solutions, putting
28 them together themselves, creating the UI and the orchestration to actually have

1 that be their software development platform. And that's who we compete against
2 most.

3 When you come to a name competitor, GitHub is a name competitor that we
4 compete against most. What I tell people is it's a big market. It's an estimated \$40
5 billion TAM. If you look at us and GitHub combined, we're less than 5% of the
6 market. And so if everyone has to spend a software company, people want to create
7 software better, faster, cheaper, more secure. It's an extremely big market. I think
8 there's room for 2.

9 And so that there are some inherent differences between the 2. We don't have
10 anything on the GitLab platform that's developed solely for 1 cloud provider. We
11 can really reside on any cloud provider. Some that GitHub feature functionality to
12 get the full benefit out of it. You have to be an Azure client.

13 We're open source. And so anybody can contribute to our platform. If you want to
14 write code and contribute to our platform, we have a wider community of roughly
15 about 30 million registered users. We'd love for you to actually come, contribute
16 and write code to it. Really interesting thing last quarter is Gartner and Forrester
17 just produced their first DevOps write-up. And this was a category that we created
18 at GitLab and so we're super happy that we're a leader in both, and we're the only
19 leader in the Forrester report.

20 And so I think you'll see more and more companies move to a platform for the
21 benefits that we provide, and it's a super big market.

22 233. During the question-and-answer segment of the RBC Capital Markets Global
23 Technology, Internet, Media, and Telecommunications Conference, held on November 14, 2023,
24 Defendant DeSanto was asked about the Company's competition to which he responded by
25 addressing the similarities and differences between GitLab's product offerings with those of
26 GitHub's offerings, and by describing purported features of the Company's platform driving
27 customer demand.

28 <Q: Matthew George Hedberg RBC Capital Markets, Research Division – Analyst>
Well, how do you think about -- because to me, I see competition with Free. I see
competition with GitHub, and I see competition with fragmented providers. Is that
kind of how you think about it?

<A: David DeSanto> It is. I'm less worried about the Free part. Maybe a couple of
years ago, Free had a lot more value and functionality in it. I'm most worried about
that. I can be honest like we've done a really good job making it a free-to-paid
conversion play, and we're seeing the impact of that even through the recession
here and the pandemic like we still were growing is because people are converting.

The -- we do see GitHub, obviously. There's really 2 main people in this race for
DevOps, and that's the 2 of us. We see them as a developer platform. And that's

1 using their own words. They -- sure they want to focus very much on the developer,
 2 the developer only and then developer experience. We then separate ourselves is
 3 that, that enterprise platform that brings in everyone. And so that's kind of how we
 4 see that.

5 But to the last part of your question, a lot of times, I see the point solution as the
 6 competitor and not so much another platform. And that's because we're going into
 7 these companies of fragmented tool chains, and they have, again, sometimes over
 8 100 tools that they can get rid of using GitLab, and it's helping them understand
 9 that GitLab's just as good or better for that use case.

10 And so pla[nn]ing is a great example of that. This is the year that we're seeing
 11 customers migrate off of Jira in favor of GitLab plan. And that's not just small start-
 12 ups or little companies. This is large enterprises who are saying, there's a better
 13 way to do plan and we're going do this with GitLab.

14 234. During the question-and-answer segment of the 1Q24 Earnings Call, Defendant
 15 Robins was asked about key metrics impacting GitLab's revenue growth.

16 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
 17 Head of Software Coverage> What does the month of May look like from a
 18 linearity standpoint? The net expansion rates that you saw as improving in the
 19 March quarter, it does hold up in the month of May as well.

20 <A: Brian G. Robbins> [A]s you would expect, we track a number of metrics
 21 internally from top of the pipeline to bottom conversion rates, p[r]i[c]ing, expansion,
 22 churn, contraction and so forth. And I'm happy quarter-to-date, things are as
 23 expected. And so like I've mentioned last quarter was more predictable in fourth
 24 quarter and quarter-to-date, and we'll see how the quarter finishes out, but it's as
 25 expected on all those metrics that we track internally.

26 235. During the question-and-answer segment of the 1Q24 Earnings Call, Defendant
 27 Sijbrandij was asked about factors customers were evaluating when assessing whether to adopt AI.

28 <Q: Ryan Patrick MacWilliams Barclays Bank PLC, Research Division – Research
 Analyst> Sid, how are enterprises evaluating adopting AI for their code
 development today? So like what are some of the key items that they would grade
 you on? And would this happen via something like an RFP process? Or would this
 be something that they handle internally?

<A: Sytse Sijbrandij> Thanks. I believe it's more organic today. They're trying
 different things. I think what is really important to a lot of customers is the privacy
 of their code. And what they're looking for is a provider who can guarantee that,
 for example, the output of the models that they ask questions to isn't used for other
 models. So that's something that's top of mind for us as we build our features.

Other than that, it also has to be kind of accessible to everyone in the company. It
 has to work on the most popular editors. And we have a lot of revenue from self-
 managed. So we want to make sure that, over time, functionality also is available

1 to self-manage customers where they can connect to the Internet to offer that
2 functionality.

3 236. During the 2Q24 Earnings Call, Defendant Sijbrandij discussed in his prepared
4 remarks how data security and privacy were top concerns for its customers stating, in relevant part:

5 Today, we released the findings of our state of DevSecOps study. This study
6 illustrates the importance of our AI differentiation even further. In June 2023, we
7 surveyed more than 1,000 respondents. These include in-video contributors and
8 leaders in software development, IT operations and security. We found that 79% of
9 respondents are concerned about AI tools accessing private information or
10 intellectual property. We also found that developers only spend 25% of their time
11 writing code. And that's why we believe delivering AI beyond just code
12 suggestions is essential.

13 237. Additionally, as described in detail in Section V.B., *supra*, leading up to the Class
14 Period, Defendants frequently spoke with analysts and investors about GitLab's prioritization of
15 product innovation, namely its AI-powered features, and its monetization opportunities. For
16 example, during the Company's AI Fireside Chat, held on May 3, 2023, Defendants focused on
17 customer concerns regarding security and data privacy, highlighting the Company's unique one
18 platform design, incorporating security in the DevOps process. Defendants also described in detail
19 the Company's various AI-powered features, purportedly already available to customers, like Code
20 Suggestions, that Defendants considered comparable to GitHub's Copilot, and others that they
21 considered "GitLab's differentiators" such that these features "help everyone involved in the
22 software development lifecycle." These discussions had the intended effect of quelling market
23 concerns that GitLab was falling behind its competitors, and, in fact, positioned GitLab at the
24 forefront of innovation and monetization. Truist Securities covered the event noting "[t]hough we
25 do not expect monetization of these features in FY24, we came away incrementally optimistic on
26 the roadmap that management laid out."

27 238. Likewise, as described in detail in Section V.C., *supra*, leading up to the Class
28 Period, Defendants fielded numerous questions about the Premium price increase, its potential
impact in FY 2024 and the expected impact in FY 2025. In addition to the numerous statements

1 noted above, during the question-and-answer segment of the 4Q23 Earnings Call, Defendant
2 Robins was asked about how the price increase factored into their model for FY 2024.

3 <Q: Kasthuri Gopalan Rangan Goldman Sachs Group, Inc., Research Division –
4 Analyst> With respect to the outlook, you have these price increases contemplated
5 in the model -- and also a recurring revenue model, you would have to have with
6 the price increases, some significant downtick in net new ARR added to get to your
7 numbers. I'm curious, what are you seeing in the early month of February and
8 actually maybe even March, that would justify these kind of inputs? And also,
9 secondly, if you can, your confidence that the price increases would stick. Have
10 you done some early assessments and check-ins to see if customers would be
11 willing to part with the value that you clearly see in the product from an ASP
12 perspective?

13 <A: Brian G. Robbins> Yes. Absolutely. Thanks, Kash. Let me just sort of unpack
14 what happened in the fourth quarter, and that sort of will go into the guidance. And
15 so in the fourth quarter, up until earnings like in November, the dollar-based net
16 retention rate was greater than 145%. And as I stated in the prepared remarks, for
17 first, second and third quarter, it was above 145% as well. There was really no
18 meaningful changes in the sales cycle duration. However, we saw some of it
19 increasing in enterprise and mid-market. We saw a slight increase, nothing really
20 that material and SMB was holding to historicals.

21 The pacing for the quarter was okay. Nothing was off that dramatically. First Order
22 and Ultimate, we are happy with. And we had good pipeline coverage. Month 2 and
23 3 of fourth quarter acted differently than month 1 of fourth quarter. We saw a
24 contraction increase. As you know, it's the largest quarter that we have. And so it
25 was impacted related to layoffs. Deal sizes got smaller. So typically, when we go
26 in and sell a deal, they buy a number of extra licenses for people in the enterprise,
27 but they're buying just enough for what they needed at the time.

28 We started to see pipeline getting pushed out. And then our dollar-based net
retention decreased in month 2 and month 3 of the quarter. And it increased almost
equally across seats, ultimate upgrades and price yield. It increased against all of
them. And so we've had real no -- no change in our guidance loss[es]. And so we
took what we saw in fourth quarter and obviously, the month leading into the call
and put that into our guidance.

...

<Q: Matthew George Hedberg RBC Capital Markets, Research Division –
Analyst> Got it. Can I ask a quick one for Brian then. With the pending price
increase, does your Q1 guidance assume any sort of like run or push on Premium
tier see -- seen anticipation of the price increase to push off a year? Or just sort of
thoughts on how that might feather in.

1 <A: Brian G. Robbins> Yes, we factored as we look at guidance, we look at the
 2 pipeline conversion rates, a number of different things. And so we did factor that
 in.

3 . . .

4 <Q: Michael Turits KeyBanc Capital Markets Inc., Research Division – MD &
 5 Senior Analyst> And then, my follow-up question, I'll just get it out now, Brian, if
 you could quantify for us how much do you think the tailwind from price increase
 6 would be this embedded in your guide, that would be helpful.

7 <A: Brian G. Robbins> On the next question about price increase baked into
 guidance. I can walk you through the math, but if you -- majority of our bookings
 8 are from our existing customers, within a quarter. And so those have to actually
 come up for renewal before you get the impact. We have that transition pricing the
 9 first year for them. And then you basically – we're starting 2 months into the year,
 so you're only getting 10 months of revenue. And then if you do a half year
 10 convention on that, we've baked the bookings in as well as the revenue. We haven't
 called out specifically how much it is, but that is baked into our guidance.

11
 12 239. Defendants also routinely provided investors with key metrics, including ARR and
 13 DBNRR. Defendants tracked these metrics internally. Investors consequently believed that
 14 Defendants' statements concerning these metrics were based on valid internal information and/or
 15 coincided with the internal information Defendants had in their possession at the time the alleged
 16 false and/or materially misleading statements were made. Thus, by providing these metrics to the
 17 public on a consistent basis, Defendants induced investors to rely on their statements even though
 18 they were false and/or materially misleading.

19 **E. Suspicious Timing of High-Level Departures at the Company**

20 240. By the start of the Class Period, GitLab had been developing its DevOps process,
 21 issuing numerous iterations of innovative product offerings for over a decade, and had operated as
 22 a public company for roughly two years.

23 241. On July 18, 2023, Gitlab announced the appointment of Chris Weber as Chief
 24 Revenue Officer. Weber succeeded Michael McBride, who over the previously five years, was
 25 instrumental in scaling GitLab from a private company to a successful public company. McBride
 26 left GitLab less than three months after the Company implemented the Premium price increase
 27 and the quarter before it implemented the change in methodology for calculating DBNRR.

242. During the Goldman Sachs Conference held on September 7, 2023, Defendant Sijbrandij discussed the hiring of Christopher Weber and exceptions when bringing him on with the Company, stating that: “We’re super excited to have him on board. 20 years of experience at Microsoft, he ran a \$3 billion sales organization, and he’s bringing that expertise, so we’re looking forward to scaling with him in a very seamless transition. There’s an evolution of revolution. We’ll continue that things we did before, focus on the enterprise. It’s always been the majority of our revenue and the focus on the partnerships with the hyperscalers. And Chris is now 7 weeks and spent a lot of time listening to our customers and the team, so super happy.”

243. During the Piper Sandler Conference held on September 12, 2023, Defendant Robins was asked about the hiring of Mr. Weber.

<Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior Research Analyst> Great. And you’ve – you’ve said publicly that revenue is backward looking. You said, don’t look at your billings, you tell us that every quarter when you disclose billings because they’re lumpy, and then just admitted that cRPO can be lumpy. So what’s the best forward-looking metric for investors as we try to analyze your business? I’m going to ask you the impossible question.

<A: Brian G. Robbins> This is when I asked Rob a question. Rob? I think you have to look at the business holistically, right? And so this past quarter, we thought we delivered a nice clean print, a good beat and raise when many companies wasn’t doing that. And so to me, I would look at revenue growth, even though it is backwards looking. cRPO is directionally correct. Short-term calculated billings is directionally correct by the nature of what they are. There’s some noise in there quarterly. So I wouldn’t take 1 quarter of data and extrapolate that out to be a trend and would take a couple of quarters of data. And then I’d look at the company and what the company is talking about long-term guidance and where the guidance is for the year.

And so -- this past quarter, we had a CRO transition. We welcomed the new CRO, Chris. He’s been with us for 8 weeks. But even with the new CRO and some of the macro uncertainty, we had confidence enough to raise the full beat through for the full year and also raise the year.

...

<Q: Robbie David Owens Piper Sandler & Co., Research Division – MD and Senior Research Analyst> And you mentioned investing in sales and marketing. So my next question was, of course, going to be around the new CRO and the opportunity and what you foresee GitLab evolving into with his influence, what he brings to the table?

1 <A: Brian G. Robbins> Yes. So we -- Chris has over 20 years of really great
 2 experience, leading multibillion-dollar organizations and growing them at scale. He
 3 spent most of his career at Microsoft, which works out well for us in the sense that
 4 he knows how the Microsoft engine works. And so we met with a number of
 5 different candidates. And Chris, on a number of different levels, culture, experience,
 space really fit in well. And so he's been with us for 8 weeks. There's been very
 little disruption. There is really a great seamless handoff from our former CRO to
 Chris and super happy he is here.

6 244. Then, on August 2, 2024, less than two months after the Class Period ended, the
 7 Company announced that Mr. Weber gave notice of his resignation, effective August 4, 2024.
 8 Following Mr. Weber's resignation, the Company appointed Ms. Kramer as the Company's
 9 Interim Chief Revenue Officer in addition to her current role as Chief Marketing and Strategy
 10 Officer, effective August 5, 2024.

11 245. Other suspiciously timed executive departures include the Company's Audit
 12 Committee member, Mark Porter, and Chief Accounting Officer, Erin Mannix.

13 246. On April 3, 2024, GitLab announced that Mark Porter, member of the Board's
 14 Audit Committee, gave notice of resignation effective April 12, 2024. GitLab announced the
 15 appointment of Mr. Porter roughly fifteen months earlier on December 13, 2022.

16 247. On October 2, 2024, Erin Mannix, Chief Accounting Officer, informed Gitlab that
 17 she was taking a "temporary leave of absence due to medical reasons" effective immediately. The
 18 Company named Defendant Robins as Interim Chief Accounting Officer and Robins has remained
 19 in this position since. Gitlab announced the appointment of Ms. Mannix as Chief Accounting
 20 Officer just fifteen months earlier on June 30, 2023.

21 248. Moreover, as described in detail above, according to FE1, Ms. Kramer's tendency
 22 to exaggerate the Company's AI capabilities and other GitLab features caused turmoil amongst
 23 the upper ranks at GitLab. FE1 recalled numerous VPs that ultimately left GitLab because of this.

24 **VIII. LOSS CAUSATION AND ECONOMIC LOSS**

25 249. During the Class Period, GitLab securities traded publicly on a national exchange,
 26 the NASDAQ. The market for GitLab securities was open, well-developed and efficient at all
 27 relevant times.

1 250. Throughout the Class Period, as detailed herein, Defendants made materially false
2 and misleading statements and engaged in a scheme to deceive the market and a course of conduct
3 that artificially inflated the price of GitLab's securities and operated as a fraud or deceit on Class
4 Period purchasers and/or acquirers of GitLab's securities by materially misleading the investing
5 public. By issuing materially false and misleading AI product and market demand statements,
6 among other adverse facts detailed herein, Defendants presented a false and/or misleading picture
7 of GitLab's business and operations. Defendants' false and misleading statements alleged herein
8 had the intended effect and caused GitLab's securities to trade at artificially inflated levels
9 throughout the Class Period, with GitLab securities reaching as high as \$77.60 per share.

10 251. Reasonably relying on the integrity of the market price of GitLab securities and
11 market information relating to GitLab's business and operations, Plaintiff and other members of
12 the Class purchased or otherwise acquired GitLab securities at artificially inflated prices during
13 the Class Period. When Defendants' prior misrepresentations and fraudulent conduct became
14 apparent to the market, the price of GitLab's securities materially declined, as the prior artificial
15 inflation dissipated. As a result of their purchases or acquisitions of GitLab's securities during the
16 Class Period, Plaintiff and other members of the Class suffered economic loss, *i.e.*, damages under
17 federal securities laws, which were proximately caused by Defendants materially false and
18 misleading statements made to the investing public.

19 252. Indeed, as described in detail above and highlighted below, when the truth about
20 the Company leaked out through a series of partial corrective disclosures, the inflation that was a
21 direct result of Defendants' Class Period misrepresentations and fraudulent conduct was
22 eliminated as GitLab's securities reacted to information in the market.

23 253. For example, on March 4, 2024 and June 3, 2024, Defendants disclosed information
24 that was directly related to (or the materialization of risks created by) their prior misrepresentations
25 and material omissions concerning GitLab's market demand for its new AI features and customer
26 acceptance of increased pricing, impacting its guidance for fiscal year 2025 revenue growth.

27 254. In particular, during after-market hours on March 4, 2024, GitLab announced
28 revenue growth expectations of only 25-26% for FY 2025. This projection was well below the

1 market expectations generated by GitLab’s own previous reports of economic growth and internal
2 growth projections provided throughout FY 2024. The lower-than-expected guidance was
3 delivered at the same time as the Company’s announcement that it was now selling Duo Pro – a
4 paid add-on for GitLab’s AI features like Code Suggestions, Chat, and organizational control
5 capabilities – for \$19 per user per month (\$10 more than initial target price). Defendants revealed
6 that GitLab needed time to “build its pipeline and close deals on new products” before they could
7 have a “meaningful impact in [GitLab’s] ratable business model.”

8 255. Defendants also acknowledged “seeing normalization in buying behavior” and as a
9 result, saw GitLab’s “guidance philosophy to be less conservative this year than in the first 2 years”
10 claiming they “want to communicate the right expectations and are sharing guidance accounting
11 for the current environment.” As such, Defendants now expected the impact of the Premium price
12 increase in FY 2026 to be bigger than FY 2025.

13 256. In response, the Company’s stock price dropped from a closing price \$74.47 per
14 share on March 4, 2024 to a closing price of \$58.84 per share on March 5, 2024, a decline of
15 roughly 21% in a single trading day.

16 257. While investors and analysts reacted swiftly to these revelations, confusion
17 remained in the market as to the underlying contributors to the soft guide provided by the Company.
18 For example, on March 4, 2024, Piper Sandler issued an analyst report entitled, “GitLab, Inc.
19 (GTLB), 4Q Shows Acceleration but Guidance Language Fails to Eschew Obfuscation.” The
20 report highlighted how GitLab’s “strong 4Q accelerating trends was eclipsed by language of ‘less
21 conservatism’ in the ensuing guide (modestly lower than street), begetting rampant speculation as
22 to the underlying meaning.”

23 258. Then, during after-market hours on June 3, 2024, GitLab announced that it had
24 completed its SSP analysis which had resulted in an estimated \$4 million headwind to FY 2025
25 revenue guidance relative to the initial guidance revealed on March 4, 2024. The Company also
26 revealed that for the first quarter of 2025, its ARR increased approximately 21% y/y (landing 5
27 points below consensus growth expectations), this compares to a growth rate of 37% y/y in the
28 prior quarter. In addition, GitLab’s DBNRR dropped sequentially by 1 point to 129%.

259. In response, the Company's stock price declined from a closing price of \$47.07 per share on June 3, 2024 to a closing price of \$44.75 per share on June 4, 2024, representing a nearly 5% drop in a single day.

260. On June 4, 2024, Needham & Company, LLC, issued an analyst report noting that, "GitLab's 1QFY25 results exceeded guidance, although the 2.2% Revenue beat (2.7% adjusted) was lower than 6.6% upside generated over the trailing 4 quarters" and "cRPO and Billings in the quarter were below the consensus estimate." The report went on to state that, "GitLab has been a DevOps darling as a result of its strong Revenue growth, holistic platform, and large TAM in excess of \$40 Billion. GitLab's FY25 Revenue guidance implies NRR compression from 130% existing the prior year, with mixed signals related to improving contraction/churn dynamics versus a less conservative guidance philosophy. Following 1Q, we received our first indication of what a 'less conservative' forecast from management means."

261. Accordingly, GitLab's June 3, 2024 disclosures of declining revenue growth, DBNRR compression, and lower-than expected current remaining performance obligations (cRPO) and billings reported confirmed that a fundamental shift in customer buying behavior in FY 2024 (not a "less conservative" guidance philosophy) was behind the soft FY 2025 guidance. The 1Q25 results revealed that GitLab had experienced a decline in net seat expansion in FY 2024.

IX. PRESUMPTION OF RELIANCE; FRAUD-ON-THE-MARKET DOCTRINE

262. At all relevant times, the market for GitLab securities was an efficient market for the following reasons, among others:

- (a) GitLab securities met the requirements for listing and was listed and actively traded on the NASDAQ during the Class Period, a highly efficient and automated market;
- (b) GitLab communicated with public investors via established market communication mechanisms, including disseminations of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;

(c) GitLab was followed by several securities analysts employed by major brokerage firms who wrote reports that were distributed to the sales force and certain customers of their respective brokerage firms during the Class Period. Each of these reports was publicly available and entered the public marketplace; and

(d) Unexpected material news about GitLab was reflected in and incorporated into the Company's stock price during the Class Period.

263. As a result of the foregoing, the market for GitLab's securities promptly digested current information regarding the Company from all publicly available sources and reflected such information in GitLab's stock price. Under these circumstances, all purchasers of GitLab's common stock during the Class Period suffered similar injury through their purchase of GitLab's securities at artificially inflated prices, and a presumption of reliance applies.

264. Alternatively, reliance need not be proven in this action because the action involves omissions and deficient disclosures. Positive proof of reliance is not a prerequisite to recovery pursuant to ruling of the United States Supreme Court in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972). All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered the omitted information important in deciding whether to buy or sell the subject security.

X. NO SAFE HARBOR; INAPPLICABILITY OF BESPEAKS CAUTION DOCTRINE

265. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the material misrepresentations and omissions alleged in this Complaint. As alleged above, Defendants' liability stems from the fact that they provided investors with revenue projections and growth opportunities while at the same time failing to maintain adequate forecasting processes. Defendants provided the public with forecasts that failed to account for this decline in sales and/or adequately disclose the fact that the Company at the current time did not have adequate forecasting processes.

266. To the extent certain of the statements alleged to be misleading or inaccurate may be characterized as forward looking, they were not identified as "forward-looking statements"

1 when made and there were no meaningful cautionary statements identifying important factors that
2 could cause actual results to differ materially from those in the purportedly forward-looking
3 statements.

4 267. Defendants are also liable for any false or misleading “forward-looking statements”
5 pleaded because, at the time each “forward-looking statement” was made, the speaker knew the
6 “forward-looking statement” was false or misleading and the “forward-looking statement” was
7 authorized and/or approved by an executive officer of GitLab who knew that the “forward-looking
8 statement” was false. Alternatively, none of the historic or present-tense statements made by
9 Defendants were assumptions underlying or relating to any plan, projection, or statement of future
10 economic performance, as they were not stated to be such assumptions underlying or relating to
11 any projection or statement of future economic performance when made, nor were any of the
12 projections or forecasts made by the defendants expressly related to or stated to be dependent on
13 those historic or present-tense statements when made.

14 **XI. CLASS ACTION ALLEGATIONS**

15 268. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
16 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise
17 acquired GitLab’s securities during the Class Period (the “Class”); and were damaged upon the
18 revelation of the alleged corrective disclosure. Excluded from the Class are defendants herein, the
19 officers and directors of the Company, at all relevant times, members of their immediate families
20 and their legal representatives, heirs, successors or assigns and any entity in which defendants have
21 or had a controlling interest.

22 269. The members of the Class are so numerous that joinder of all members is
23 impracticable. Throughout the Class Period, GitLab securities were actively traded on the
24 NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can
25 be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or
26 thousands of members in the proposed Class. Record owners and other members of the Class may
27 be identified from records maintained by GitLab or its transfer agent and may be notified of the
28 pendency of this action by mail, using the form of notice similar to that customarily used in

1 securities class actions. As of March 15, 2024 there was approximately 130.2 million shares of the
2 Company's Class A common stock outstanding. Upon information and belief, these shares are held
3 by thousands, if not millions, of individuals located throughout the country and possibly the world.
4 Joinder would be highly impracticable.

5 270. Plaintiff's claims are typical of the claims of the members of the Class as all
6 members of the Class are similarly affected by Defendants' wrongful conduct in violation of
7 federal law that is complained of herein.

8 271. Plaintiff will fairly and adequately protect the interests of the members of the Class
9 and has retained counsel competent and experienced in class and securities litigation. Plaintiff has
10 no interests antagonistic to or in conflict with those of the Class.

11 272. Common questions of law and fact exist as to all members of the Class and
12 predominate over any questions solely affecting individual members of the Class. Among the
13 questions of law and fact common to the Class are:

- 14 (a) whether the federal securities laws were violated by Defendants'
15 acts as alleged herein;
 - 16 (b) whether statements made by Defendants to the investing public
17 during the Class Period misrepresented material facts about the
18 business, operations and management of GitLab;
 - 19 (c) whether the Individual Defendants caused GitLab to issue false and
20 misleading financial statements during the Class Period;
 - 21 (d) whether Defendants acted knowingly or recklessly in issuing false
22 and misleading financial statements;
 - 23 (e) whether the prices of GitLab securities during the Class Period were
24 artificially inflated because of the Defendants' conduct complained
25 of herein; and
 - 26 (f) whether the members of the Class have sustained damages and, if
27 so, what is the proper measure of damages.
- 28

273. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

XII. CLAIMS FOR RELIEF

COUNT I

For Violations of Section 10(b) of the Exchange Act and SEC Rule 10b-5

(Against All Defendants)

274. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

275. This Count is asserted against all Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

276. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material facts and omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of GitLab securities; and (iii) cause Plaintiff and other members of the Class to purchase or otherwise acquire GitLab securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

277. Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the defendants participated directly or indirectly in the preparation and/or issuance of the quarterly and annual reports, SEC filings, press releases and other statements and documents described

1 above, including statements made to securities analysts and the media that were designed to
2 influence the market for GitLab's securities. Such reports, filings, releases and statements were
3 materially false and misleading in that they failed to disclose material adverse information and
4 misrepresented the truth about the Company.

5 278. By virtue of their positions at the Company, the Individual Defendants had actual
6 knowledge of the materially false and misleading statements and material omissions alleged herein
7 and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative,
8 the Individual Defendants acted with reckless disregard for the truth in that they failed or refused
9 to ascertain and disclose such facts as would reveal the materially false and misleading nature of
10 the statements made, although such facts were readily available to each of the Individual
11 Defendants. Said acts and omissions of defendants were committed willfully or with reckless
12 disregard for the truth. In addition, each Individual Defendant knew or recklessly disregarded that
13 material facts were being misrepresented or omitted as described above.

14 279. Information showing that Defendants acted knowingly or with reckless disregard
15 for the truth is peculiarly within Defendants' knowledge and control. As the senior managers
16 and/or directors of the Company, the Individual Defendants had knowledge of the details of
17 GitLab's internal affairs.

18 280. The Individual Defendants are liable both directly and indirectly for the wrongs
19 complained of herein. Because of their positions of control and authority, the Individual
20 Defendants were able to and did, directly or indirectly, control the content of the statements of the
21 Company. As officers and/or directors of a publicly-held company, the Individual Defendants had
22 a duty to disseminate timely, accurate, and truthful information with respect to GitLab's businesses,
23 operations, future financial condition and future prospects. As a result of the dissemination of the
24 aforementioned false and misleading reports, releases and public statements, the market price of
25 GitLab securities was artificially inflated throughout the Class Period. In ignorance of the adverse
26 facts concerning the Company which were concealed by Defendants, Plaintiff and the other
27 members of the Class purchased or otherwise acquired GitLab securities at artificially inflated
28

1 prices and relied upon the price of the Company's stock, the integrity of the market for GitLab's
2 securities and/or upon statements disseminated by Defendants, and were damaged thereby.

3 281. During the Class Period, GitLab securities were traded on an active and efficient
4 market. Plaintiff and the other members of the Class, relying on the materially false and misleading
5 statements described herein, which the Defendants made, issued or caused to be disseminated, or
6 relying upon the integrity of the market, purchased or otherwise acquired shares of GitLab
7 securities at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the
8 other members of the Class known the truth, they would not have purchased or otherwise acquired
9 said securities, or would not have purchased or otherwise acquired them at the inflated prices that
10 were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value
11 of GitLab's securities was substantially lower than the prices paid by Plaintiff and the other
12 members of the Class. The market price of GitLab's securities declined sharply upon public
13 disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

14 282. By reason of the conduct alleged herein, Defendants knowingly or recklessly,
15 directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5
16 promulgated thereunder.

17 283. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the
18 other members of the Class suffered damages in connection with their respective purchases,
19 acquisitions and sales of GitLab securities during the Class Period, upon the disclosure that the
20 Company had been disseminating misrepresented financial statements to the investing public.

21 **COUNT II**

22 **For Violations of Section 20(a) of the Exchange Act**

23 *(Against the Individual Defendants)*

24 284. Plaintiff repeats and realleges each and every allegation contained in the foregoing
25 paragraphs as if fully set forth herein.

26 285. During the Class Period, the Individual Defendants participated in the operation
27 and management of the Company, and conducted and participated, directly and indirectly, in the
28

1 conduct of the Company's business affairs. Because of their senior positions, they knew the
2 adverse non-public information about GitLab's misstatements.

3 286. As officers and/or directors of a publicly owned company, the Individual
4 Defendants had a duty to disseminate accurate and truthful information, and to correct promptly
5 any public statements issued by GitLab which had become materially false or misleading.

6 287. Because of their positions of control and authority as senior officers, the Individual
7 Defendants were able to, and did, control the contents of the various reports, press releases and
8 public filings which GitLab disseminated in the marketplace during the Class Period containing
9 the alleged misrepresentations. Throughout the Class Period, the Individual Defendants exercised
10 their power and authority to cause GitLab to engage in the wrongful acts complained of herein.
11 The Individual Defendants, therefore, were "controlling persons" of the Company within the
12 meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful
13 conduct alleged which artificially inflated the market price of GitLab's common stock.

14 288. Each of the Individual Defendants, therefore, acted as a controlling person of the
15 Company. By reason of their senior management positions of the Company, each of the Individual
16 Defendants had the power to direct the actions of, and exercised the same, to cause GitLab to
17 engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants
18 exercised control over the general operations of the Company and possessed the power to control
19 the specific activities which comprise the primary violations about which Plaintiff and the other
20 members of the Class complain.

21 289. By reason of the above conduct, the Individual Defendants are liable pursuant to
22 Section 20(a) of the Exchange Act for the primary violations committed by the Company.

23 **XIII. PRAYER FOR RELIEF**

24 **WHEREFORE**, Plaintiff demands judgment against Defendants as follows:

- 25 A. Determining that the instant action may be maintained as a class action
26 under Rule 23 of the Federal Rules of Civil Procedure, and certifying
27 Plaintiff as the Class representatives;
28

- 1 B. Requiring Defendants to pay damages sustained by Plaintiff and the Class
2 by reason of the acts and transactions alleged herein;
- 3 C. Awarding Plaintiff and the other members of the Class pre-judgment and
4 post-judgment interest, as well as their reasonable attorneys' fees, expert
5 fees and other costs; and
- 6 D. Awarding such other and further relief as this Court may deem just and
7 proper.

8 **XIV. DEMAND FOR TRIAL BY JURY**

9 Plaintiff hereby demands a trial by jury.

10
11 Dated: March 7, 2025

Respectfully submitted,

12 **LEVI & KORSINSKY, LLP**

13
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